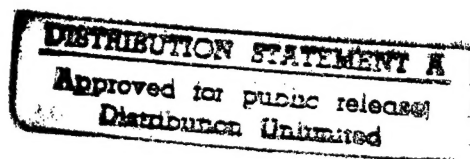


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JPRS-CEA-84-053

29 June 1984



# China Report

ECONOMIC AFFAIRS

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HEI BOLI'S WORK REPORT TO PEOPLE'S CONGRESS

HK311501 Yinchuan NINGXIA RIBAO in Chinese 5 May 84 pp 1-3

["Report on the Region's Economic Work by Chairman Hei Boli of the Autonomous Region on 25 April 1984, to the second session of the Fifth Autonomous Regional People's Congress"--passages within slantlines published in boldface]

[Text] Deputies:

Now, I am going to give a report on the region's economic work to the congress on behalf of the regional people's government and request you to discuss and examine it.

I

It has been a whole year since the first session of the Fifth Regional Congress in April last year. This year has been a year in which our national economy has made steady progress in the process of readjustment, reforms, and consolidation. It has also been a year in which the people of all nationalities throughout the region have struggled hard to create a new situation in their socialist modernization. In 1983, the whole region smoothly fulfilled its plan for the development of national economy and made new progress in the construction of the two civilizations; therefore, the development of the economic situation as a whole was much better than expected.

/Our region got in a bumper agricultural harvest./ In 1983, the gross agricultural output value totaled more than 880 million yuan, an increase of 15.4 percent over 1982. The grain output totaled 2.9 billion jin, 21.3 percent more than that in 1982. This means that the region fulfilled the target for the Sixth 5-Year Plan 2 years ahead of schedule. The output of oilbearing crops totaled over 82 million jin, an increase of 49 percent over 1982. New achievements were scored in the fields of forestry, animal husbandry, and fishery. In 1983, 620,000 mu of forests were made and 49.63 million scattered trees were planted, of which 14.57 million were planted by people voluntarily without remuneration. More than 84 percent of these trees have survived. The region also grew 370,000 mu of grass. Its township enterprises continued to develop and the family sideline undertakings of the commune members also developed quickly. On the basis of the collective economy, the region's agriculture has

been developing in the direction of specialization and the direction of switching to commodity production. The proportion of specialized and key households in the total number of rural households has risen from 4 percent at the beginning of 1983 to 15 percent now. Our region has initially explored a new path that is suited to our region's reality for the development of mountainous areas and newly irrigated areas and of the production bases on plain areas. The production in southern mountainous areas has been restored and developed and the features of these areas have begun to change. The enthusiastic drive of learning science has developed vigorously and a network for the popularization of technology has initially taken shape in the rural areas throughout the region. This has promoted the widespread application of scientific and technological knowledge on agriculture and brought about marked results in raising agricultural economic results. The reform of the commune system has been basically completed throughout the region and this has played a positive role in promoting the development of rural productive force.

/Industrial production and communications have developed relatively quickly./ In 1983, the region achieved 1,612 million yuan of gross industrial output value, which was 13.3 percent more than that in 1982 and set a new record. The output value of both light and heavy industries increased, but heavy industry grew more quickly than light industry. In spite of the increase in the prices of some raw materials and the decrease in the prices of their products, our light and textile industries maintained the trend of continuous growth by means of strengthening market forecast, increasing variety of products, reducing unmarketable products and developing marketable products and products of fine quality and well-known brands. Through years of readjustment, our heavy industry has initially changed its product mix, expanded the field of its service, increased its adaptability and achieved a relatively high growth rate. Through adopting the measures of overall enterprise consolidation, the implementation of the economic responsibility system, technological transformation, switching from losses to profits and the substitution of tax collection for profit delivery, we have substantially increased the economic results in our industrial enterprises and achieved a synchronous increase in our production, tax and profits, and financial revenue. The realized profits and the labor productivity of a full-attendance worker both increased by 10 percent. The enterprises that formerly suffered losses overfulfilled their tasks for switching from losses to profits by 30 percent. Our coal industry achieved initial results in putting an end to losses, speeded up the turnover of its quota amount of floating funds, reduced its production costs and overfulfilled the state plan for profit delivery. The sectors of transportation and communications and post and telecommunications respectively fulfilled 1.87 million metric tons of freight volume and 8.28 million yuan of gross turnover. Thus they made new contributions in serving the development of industrial and agricultural production and other undertakings.

/The investment structure of our capital construction improved to some extent./ In 1983, the region completed more than 320 million yuan of capital construction, an increase of 20.6 percent over 1982. The percentage of production investment increased and that of nonproduction investment decreased. The construction of the key projects such as Dawukou power station, Pingluo sugar refinery, Dacron fiber plant and Guhai pumping center made quick progress and were carried out with fine quality. A number of completed projects were put into operation and added new production capacity to the region.

/Rural and urban markets were prosperous./ Because our region adopted a series of measures of readjustment and reform, relaxed its policies, and enlivened circulation, a good situation emerged in our market, a situation rare since the founding of the PRC. The volume of commodities put in our market increased and both purchase and sale activities were prosperous in our market. In 1983, the total purchases in our commercial sector amounted to more than 670 million yuan and the total retail sales of commodities in our society amounted to 1,050 million yuan, an increase of 15.8 and 12.7 percent respectively over 1982. The sales of means of agricultural production and means of consumption rose sharply. Foreign trade also developed, and export trade managed by our region on its own exceeded the planned target. The prices of goods were mainly stable. In 1983, the all-round price index throughout the region only increased by 1.1 percent over the year before, the smallest increase in the past few years.

/The financial situation continued to improve./ In 1983, the region collected over 168.45 million yuan of revenue for local finance, 20.6 percent more than that in the year before, thus its total revenue increased to 891.82 million yuan when the allowance from central finance was included. The actual financial expenditure was 694.81 million yuan, 21.7 percent more than that of the year before. As the region made early arrangement of its financial expenditure and focused on key projects, it increased the effect in employing its funds and thus supported and promoted the development of various construction undertakings and achieved the aim of striking a balance between revenue and expenditure while having a small surplus.

/New achievement was made in developing education, science, and technology./ Our region improved the conditions in its schools, developed its higher education, increased the number of students in its full-time schools and continuously improved the quality of education. The number of agricultural and vocational secondary schools increased and an initial change was brought about in the uniform structure of its secondary education. Marked achievement was scored in further developing spare-time education. The region also scored achievement in eliminating illiteracy in its rural areas and Zhongwei County became the first county in the region where illiteracy was basically wiped out. The region further implemented the principle of science and technology serving economic construction. In 1983, the region scored achievements in 56 scientific research projects. During the past few years, a number of scientific research achievements were popularized and applied in production, displaying the tremendously great strength of science and technology in promoting economic development. The region applied 36 items of scientific research achievements, including monocrystal of lithium niobate, steam adjustment valve, and porcelain toilet equipment, in its industrial production and 29 items of scientific research achievements including the "Ningchun No 4" species of wheat in its agricultural production. In the application of every item, marked achievements were scored.

/The people's livelihood continued to improve./ As agricultural output increased in an all-round manner, the income of our peasants rose sharply. According to a sampling survey, in 1983, the per capita average net income of the peasants in the region was 288 yuan, 25.8 percent more than the year before. The number of counties and districts where per capita income exceeded 300 yuan was six, two more than that in 1982. These included the suburbs of Yinchuan City, Helan, Yongning, Pingluo, Taole and Qingtongxia. What was particularly heartening was that production and people's livelihood markedly improved in some areas where the conditions were relatively poor in the past. Only in one county was the per capita annual income below 50 yuan, thus the number of such counties was two less than in 1982. In 1983, over 23,000 jobs were provided to urban people in the region. The balances of the bank deposits of the urban people in the region totaled more than 443 million yuan in 1983, which was 36 percent more than the year before and set a new record. This also constituted an important indicator for the fine economic situation in our region.

On the basis of the achievements in our economic work last year, the economic situation in the first quarter of this year was also fine. We successfully finished our spring farming and continued to maintain the trend of steady development in our industrial production.

It was under the leadership of the CPC Central Committee and the State Council and of the regional CPC committee, and by the united hard struggle of the people of all nationalities throughout the region that our region scored achievements in its economic work in the past year. The vast number of cadres and people in all fields including agriculture, industry, finance, trade, education, science, culture, press, publication, public health and sports did a large amount of work and put in hard labor and thus scored outstanding achievements. The commanders and fighters of the Ningxia Military District and the PLA units stationed in Ningxia and the public security cadres, policemen and legal workers took an active part in and defended the socialist modernization, did intensive work, and scored marked achievements. Reviewing our work in the past, we profoundly find that we must maintain ideological and political identity with the CPC Central Committee and conscientiously study and implement the party's line, principles and policies that have been formulated since the 3d Plenary Session of the 11th CPC Central Committee. We should proceed from reality in doing everything and pay attention to combining the Central Committee's principles and policies with the reality in Ningxia. We should esteem the creative spirit of our cadres and people and support, encourage, and take loving care of the cadres and people who conscientiously forge ahead and strive to create a new situation. We should strengthen the unity between various nationalities and satisfactorily handle the socialist relations between various nationalities. These are the major experiences that we have summed up from our achievements.

True, we scored great achievements in the past year, but we should never be blindly optimistic and must soberly see the problems in our work. Our region's economic growth rate was relatively small and fell far short of the medium standard of our nation. Last year, the per capita gross industrial and agricultural output value in our country was 892 yuan, but that in our region was only 636 yuan. Our economic results were not ideal and quite a few of the economic

and technological indexes in our region were below the average level of the nation. We have not yet completely smoothed our economic relations and are still faced with arduous tasks of economic structural reform. There is still a great shortage of some major raw materials and railway transport facilities. Our commodity circulation still falls far short of the demand of the rapid development of commodity production, the service work before and after production also falls short of the demand and the problem of difficulties in sales and purchases were still outstanding. Our agricultural economic foundation is relatively weak, the agricultural output value is relatively small, the agricultural commodity rate was low and we have failed to radically change the backwardness in our mountainous areas. We failed to fully implement our policies toward the intellectuals, to fully popularize the application of our scientific research achievements, or to fully tap our technological potential. Our government has failed to fully emancipate its thoughts; therefore, it continues to follow the beaten path and observe quite a lot of old regulations, conventions, and systems. It has failed to discuss major issues, handle the overall situation, or grasp major tasks; thus it has adopted a work style of having no focus in its work. It has also failed to make conscientious investigation and study of new situations and new problems. Some of its work measures have not been sound and it also failed to make sufficient supervision and inspection. There has still been some degree of bureaucratic work style. We should conscientiously overcome these defects and improve our work in these aspects in the future. Thus there will be new features in the work of our government in order to live up to the trust and expectation placed on us by the CPC Central Committee, the State Council and the people all over our region.

## II

We should conscientiously implement the spirit of the 12th CPC National Congress and the 1st session of the 6th NPC, continue to adhere to the principle of "readjusting, restructuring, consolidating and improving," regard raising economic results as the core, strive to fulfill and overfulfill the national economic plan for this year, fight hard for the fulfillment ahead of schedule of the Sixth 5-Year Plan, lay satisfactory foundation for the smooth implementation of the Seventh 5-Year Plan and the fulfillment of the task of revitalizing our economy in the following 10 years and thus vigorously create conditions for the switching of the focus of the state's economic construction onto the vast area of northeastern China at the end of this century and the beginning of next century.

Recently, when Comrade Hu Yaobang inspected Guangxi, he pointed out: "Now, our five autonomous regions are below the average standard of the whole country and people will say that the economy of the minority nationalities is most backward. If their economy continues to lag behind for 20 to 30 years, it will become a political problem. In the first place, the Guangxi and Ningxia regions must first put an end to their backwardness and reach a medium or even better standard." Comrade Hu Yaobang's important speech is of great guiding significance for our region's economic work this year and in the future. We should conscientiously study and implement his instructions. Our tentative ideas are: First, we shall achieve 4.4 billion yuan of gross industrial and agricultural output value in 1990, an average increase of 10 percent every year.

The average per capita output value will amount to 980 yuan which is still around 20 percent lower than that of the whole country; second, we shall achieve 12.8 billion yuan of annual gross industrial and agricultural output value by the year 2000, an average increase of 11.3 percent every year and the average output value of each person will amount to 2,333 yuan which will be the average standard of the whole country. Our investigations and theoretical study prove that some major projects in our region's industrial and agricultural construction will bring about their optimal economic results by 1990. In developing our agriculture, we shall build Shapotou key water conservancy project in our irrigated area, we shall transform 1 million mu of low-yield land, reclaim 700,000 mu of farmland and develop 1 million mu of newly irrigated area. In our mountainous areas, after we complete construction of the projects of the Guhai Pumping Center, the Shaanxi-Gansu-Ningxia Pumping Center (at Yanhuan) and a number of small water reservoirs, the irrigated areas will increase from 500,000 mu at present to 800,000 mu. In the southern mountainous areas, we shall put an end to destruction in 3 years and solve the problems related to food and clothing in 5 years and change the features of the areas in 10 or 20 years. By 1990, we will strive to increase our grain output to 3.5 billion jin and be able to supply enough sheep, pigs, and eggs for our region. In developing our industries, after the completion of the construction and extension of projects such as the Shizuishan No 3 mine, the anthracite mines in Wangwa, Weidong, Dafeng and the coal mines at Nujigou, Ciyaoobao and Qinjaiyao, the coal production capacity will rise to 14 million metric tons. After the construction of Dawukou and Daba power stations, the power production capacity will be increased to 1.6 million kilowatts. In developing our power industry, we should adopt the policy of changing coal into electricity, consuming coal where it is produced and combining our coal and power industries, and encourage our coal mines to use waste rock to generate electricity. Thus, we will achieve the aim of killing several birds with one stone. After we complete the construction of the Ningxia iron-alloy plant and the extension of our small iron-alloy plants, the iron-alloy production capacity will total 120,000 metric tons; after the first phase of the extension project of the Qingtongxia aluminum plant, the aluminum production capacity will total 82,000 metric tons; after we complete the construction of the Ningxia oil refinery, the production capacity will rise to 500,000 metric tons. After we complete the construction of the Ningxia chemical plant, the annual output of urea will total 520,000 metric tons. When the construction of the Ningxia cement plant is completed, the annual output of cement in the whole region will total 800,000 metric tons. Through technological transformation, Yinchuan rubber plant will increase its capacity to 500,000 sets of tires. Through the extension and introduction of new skills, the dacron fiber plant and chemical fiber knitting mill will increase their output of long fibers from 1,000 metric tons to 3,000 metric tons. After the construction of the No 3 sugar refinery is completed, the annual output of sugar in the whole region will total 100,000 metric tons. As long as we do our work satisfactorily at the end of the Sixth 5-Year Plan period and in the Seventh 5-Year Plan period, and satisfactorily lay our foundation, we will accumulate strength and create conditions for revitalizing our economy in the latter 10 years and enable the national economy throughout the region to reach at least the medium standard of the whole country.

In 1984, we plan to achieve 2.62 billion yuan of gross industrial and agricultural output value in the whole region, an increase of 5 percent over 1983. We plan to achieve 910 million yuan of gross agricultural output value, an increase of 2.9 percent over 1983, and 1.71 billion yuan of gross industrial output value, an increase of 6.1 percent over 1983. The region's financial budgetary revenue will amount to 195,020,000 yuan, an increase of 15.8 percent over that in the final accounts for 1983.

In order to accomplish the above-mentioned tasks, we should soundly and satisfactorily grasp the following major aspects of our work:

#### 1. We Should Vigorously Develop the Commodity Production in Our Rural Areas

The 1984 Document No 1 issued by the CPC Central Committee stipulates that "the major tests in our rural areas this year are: On the basis of stabilizing and perfecting the production responsibility system, we shall raise the level of our productive force, open up the circulation channels and develop commodity production." We should firmly grasp these key tasks and do our rural work satisfactorily. The regional CPC committee and people's government has formulated "Certain Regulations Concerning the Implementation of the 1984 Document No 1 of the Central CPC Committee" and the people's government at all levels should conscientiously and thoroughly implement these regulations. At present, we should focus on satisfactorily grasping the perfection of the all-round responsibilities for land, lengthen the duration of the responsibility contracts and help the peasants enlarge their production scale on the basis of their household management. We should firmly foster the idea of developing our socialist agriculture in its broader sense and vigorously develop commodity production bases. During last winter and this spring, the regional CPC committee and the regional people's government held a conference on the development of agricultural production in our southern mountainous areas and the areas irrigated by the Huanghe and put forth the tentative idea of developing 10 kinds of production bases, namely, grain, grass and forest, animal husbandry, aquatic products, beet, Chinese wolfberry, fruit, foodstuff, rose and fodder bases and the tentative idea of developing protective forests, self-sufficient agriculture, commodity production of livestock and diversified commodity economy in our mountainous areas. The people's government at all levels and the relevant departments must formulate, in the light of their practical conditions, their own long-term development programs and plans for immediate action and satisfactorily do their work this year in order to make a good beginning in constructing and developing the commodity production bases. We should vigorously help our specialized and key households and do a good job in formulating their developing plans, give them enthusiastic political support, give them economic and technological aids, and provide them with all kinds of necessary social services. We should respect and protect their legitimate rights and interests and seriously handle any cases involving the undermining of their production. Our specialized and key households should work hard to develop their cadres through self-reliance, pass their advanced experiences to the masses of people around them and play their exemplary role. All our state farms should satisfactorily grasp the pilot projects of establishing family farms of their staff members and workers, continue to satisfactorily run their combined agricultural, industrial, and commercial enterprises, do a good job of the cooperation

between themselves and cooperation with nearby peasants in developing the undertaking of processing agricultural and sideline products, develop their commodity production in the light of their local conditions and give play to their exemplary role.

Ensuring the stable increase in grain production and gradually raising the commodity rate of grain is an important task in developing rural economy. We should persist in carrying out scientific farming, and vigorously grasp the key measures for increasing production. In our plain areas, we should regard the transformation of medium- and low-yield land as the key and focus on satisfactorily grasping the transformation of the low saline-alkali land in the area to the north of Yinchuan. In our mountainous areas, we should conscientiously develop new irrigated areas, enlarge the area of irrigated land, do a good job of the work related to four kinds of farmland (namely, ditches and dams, flooded land, terraced fields and hard sand land) and satisfactorily grow dry-land crops. We should improve our cropping system and cultivation technology, popularize and introduce into our region fine species of crops, develop intensive farming and strengthen our field management. We should strive to increase our per mu grain output, enlarge our farmland in a planned manner and strive to get in a bumper harvest throughout 1984.

We should vigorously grow grass and trees. The people's governments at all levels and all the various departments in them should conscientiously implement the important speeches that Comrades Hu Yaobang and Zhao Xiyang gave when they inspected Xibei and the CPC Central Committee's and State Council's "Instruction on Profoundly and Soundly Developing the Movement to Make Our Motherland Green." They should regard growing grass and trees as a magnificent undertaking in improving our land and bringing benefits to posterity and as a task to grasp in realizing the strategic goal of quadrupling our annual gross industrial and agricultural output value. In our southern mountainous areas, we should oppose the malpractice of neglecting afforestation and lay stress on growing grass and trees. We should persist in growing both grass and shrubs and woods, turn reclaimed grassland and forests back into grassland and forests in a planned manner, do a good job of closing hillsides to facilitate afforestation and satisfactorily grasp the comprehensive development of the protective forests in Xiji. We should solve the supply of fuel for the masses of people by means of developing coal mines, popularizing solar energy stoves and coal-conservation stoves and growing fuel grass. In the areas irrigated by the Huanghe, we should focus on developing and afforestation around our farmland, establishing protective forests and growing trees by the sides of roads, railways and major irrigation ditches. We should conscientiously and satisfactorily carry out the projects of establishing a protective forest to the west of Yinchuan and a forest and grass base at Zhenbeibao. Thus we will gradually turn this forest and base into a green protective screen. We should establish a strict responsibility system to strengthen the work related to the management and protection of forests and grassland.

Developing diversified undertakings is a strategic principle that we must always adhere to in the process of striving for the modernization of our agriculture. We should switch from grasping one or two sectors of production to striving to achieve all-round development of our agriculture, forestry, animal husbandry,

sideline undertaking and fishery and the combined management of agriculture, industry, commerce and transportation. Our region has rich resources and plentiful labor for the development of diversified undertakings and the prospects and potential for their development are fine and great. We should develop these undertakings through the efforts of the state, the collective, and individuals and open up new paths for the development of production and deepening and extending the development of cultivation, breeding, and sideline undertakings, industry, construction undertaking, and service trade. Township enterprises are an important constituent part of the development of diversified undertakings. The people's governments at all levels and the relevant departments should conscientiously give guidance on their development, administer them in accordance with the policies of the state and thus enable them to develop healthily.

We should conscientiously implement the regional CPC committee's decision on developing new irrigated areas, enlarging old irrigated areas and supporting the development in our mountainous areas. We should continue to satisfactorily grasp the pilot projects in establishing the three [diaozhuang 0680 8369] production bases in Chaohu, Luochaowa and Dazhanchangtan and the development of the new irrigated areas in the mountainous areas in Lingwu, Zhongwei, and Tongxin. The cadres and people in the areas of the production bases should carry on the tradition of self-reliance and hard struggle. The relevant departments should closely coordinate with and support the development of these bases and make contributions to the process of carrying out these development projects of strategic significance. On the basis of the mutual visiting activities of our plain and mountainous areas, we should continue to carry out the practice of plain and mountainous areas helping each other. The cities and counties in our plain areas and the departments directly under the regional authorities should implement the region's decision on supporting mountainous areas and increase their aid in the light of the needs in those areas.

We should conscientiously develop rural small towns. The development of small towns is of great significance in developing socialist commodity production and urging and helping our peasants to become rich. The people's governments at all levels and the relevant departments should formulate as soon as possible their plans and concrete methods for the construction of small rural towns throughout our region in the light of the requirements or acting in the light of local conditions, conserving land, facilitating production and livelihood, paying attention to sanitation and developing afforestation. They should also satisfactorily carry out pilot projects in developing small towns.

## 2. We Should Go All Out to Create a New Situation in Our Industry and Communications

Our various industrial and communications departments and enterprises should steadfastly implement the principle of regarding raising economic results as the key to our economic work, regard speed and economic results as a unity and seek a higher speed on the basis of raising our economic results. They should simultaneously grasp production and circulation, grasp economic results in the processes of both production and circulation and strive to achieve synchronous increase of production, tax, profits and financial revenue.

We should satisfactorily organize our industrial and communications production. The industrial and communications departments should free themselves from the fetters of the old practice of neglecting the demands of the market, determining the amount of sales in the light of production, and producing the same products for many years. They should switch to the type of production management that is characterized by paying attention to the development of technology and making our production serve the demands of society. Our light and textile industries should conscientiously readjust, in the light of the change in the demand resulting from the people's consumption, improve the quality of their products, increase the variety of their products and vigorously develop the production of food, paper, cigarettes, leather, woolen fabric, and family electric appliances. Our region supplies too small a percentage of the consumer goods of daily use it needs, therefore, it has to buy most of these goods from other areas. We must put an end to this situation as soon as possible. We should support the production of local products on the precondition of improving the quality of these products. We should vigorously organize the production of, and do our best to reduce the purchases from other areas of the products that our region is capable of producing. Concerning our heavy industry, we should continue to enlarge the scope of its production, support the construction of key projects and increase the production of various kinds of marketable products, export products, and products needed in the development of agriculture. Centered on a few kinds of key projects, we should establish a few production centers related to materials testing machines, instruments and meters, electronic equipment, bearings and machine tools. At the same time, we should develop energy, building materials, and chemical industries and increase the production capacity of the products of calcium carbide, iron-alloy, aluminium, glass, cement and chemical fertilizer. We should continue to develop our communications, transportation, postal and telecommunications undertakings. In developing our communications and transportation, we should take into consideration the comprehensive economic results of this undertaking and thus form the most rational comprehensive transportation capacity. We should increase the transport capacity of our railways, develop road transportation, and grasp the construction of the Zhongning Huanghe highway bridge in order to meet the demand of the economic development in our region.

We should grasp the work of switching from losses to profits. This year we should fulfill the task of reducing the losses by 30 percent and increasing the profits by 16 percent. Before the end of this year, we should basically put an end to the losses of a management nature in our industrial enterprises and try every means to reduce management losses which have been disguised as policy losses. We should gradually arrange a list of priorities for putting an end to the loss-incurring products in the enterprises that earn profits. We should fix a deadline for switching from losses to profits in producing these products and should not allow these enterprises to cover these losses by their profits, and prevent any waste caused by the production of such products. We should organize strength to support the enterprises that suffer excessive losses or earn considerable profits in order to help them put an end to losses and increase profits. We should establish and perfect the responsibility system geared to enterprise leaders for switching losses to profits and increasing profits and dismiss on-the-spot those leaders who have failed to fulfill the tasks assigned by the state, particularly those who have caused their enterprises to suffer serious losses. We should find out who is to blame for the serious losses and punish them.

We should continue to satisfactorily grasp the all-around enterprise consolidation, improve the quality of the consolidation and speed its development. This year, we should strive to increase to 70 percent the percentage of the enterprises that have passed the examination for the satisfactory completion of consolidation in the state-owned industrial and communications enterprises of the region. We should strive to make all our large and medium backbone enterprises pass the examination and we should also satisfactorily consolidate our small enterprises in a planned manner. During the process of consolidation, we should continue to satisfactorily grasp the reorganization of the leading groups of these enterprises, soundly implement the responsibility system inside them, and urge our enterprises to markedly increase their economic results. In the enterprises which have already passed the examination, we should vigorously promote the development of modern management and urge them to strive to become enterprises of "six goods."

We should intensify the cooperation between the industrial and commercial sectors. These two sectors should closely coordinate with each other and jointly do a good job of matching production with sales. Our industrial sector should foster the view of paying attention to the market, thus it will arrange its production in the light of the demand of the market, make efforts to improve the quality of its products and increase the production of marketable products. Our commercial sector should foster the view of paying attention to production, do a good job of providing feedback of market information, play the role of "reservoir," support industrial production and thus really become a bridge between production and consumption. For the products included in the plans, the industrial and commercial sectors should make contracts of sales and purchases and ensure their production and purchases. For the commodities ordered and selected for purchase by the industrial sector, the industrial and commercial sectors should arrange the matching of sales and production in the enterprises. For the products that the industrial sector sells on its own, the commercial department should conscientiously help the enterprises to market these products and provide enterprises with information and other services.

We should conscientiously carry out the reforms. At present our industrial and communications sector should carry out the reforms in three phases. First, it should satisfactorily grasp the reform in our state-owned enterprises so that our state-owned enterprises will actually be independently responsible for their own profits and losses under the precondition of implementing the state policies and obeying the guidance of planned economy. We should increase the decision making power of our enterprises on matters related to personnel, wages, and bonuses. We should grant our enterprises their due share of power, create necessary conditions for them and provide the stage for their activities and thus enable the people there to display their wisdom and talents and do their work magnificently. Second, we should strengthen our reform in the management of trades and formulate trade management plans and policies. This year, we should focus on satisfactorily grasping the formulation of the plans for our machine-building and light and textile industries. We should carry out readjustment among enterprises of the same trade with the aim of unifying their policies on technology and equipment and achieving the same standard for the quality of products and economic results. Third, we should grasp the reform in macro aspects

and our leading organizations should streamline their organizations and transfer some power downward. The regional people's government is now formulating the reform measures for the industrial and communications sectors and will soon promulgate these measures for implementation. Before these measures are promulgated, we should select some factories and mines and other production departments that are provided with necessary conditions as sites for pilot projects of the implementation of these measures. Then we will sum up experience and popularize the implementation of these measures.

We should strengthen our work related to environment protection. In our region, the ecological balance is relatively weak and the soil erosion which causes our land to become sand waste and the destruction of the resources of forests, grassland, and wild plants and animals is serious. The pollutions of "three wastes" is relatively prominent. Therefore, we should strive to achieve synchronous development of economic construction and environment protection, implement the principle of "regarding prevention as the core and combining prevention of pollution with improving environment." We should define our goals of environment protection and include them in our plans. We should strictly enforce the law and regulations on environment protection, strictly control the pollution caused by our old enterprises and speed up the process of overcoming this pollution. We should strive to provide a clean, beautiful and quiet environment for rural and urban production and life and make the situation of the environment throughout our region basically suited to the development of our region's national economy and the improvement of the people's livelihood.

### 3. We Should Effectively and Satisfactorily Arrange the Circulation of Our Commodities

We should dredge the channels of circulation. At present, in the guiding thoughts of some of our comrades, there is still a trend of stressing production and neglecting circulation and commerce. Commodity circulation continues to be a weak link in the process of the reproduction in our society. We must regard the dredging of the channels for the circulation of commodities as the key to our commercial work this year. We should continue to readjust and relax the policies related to the sales and purchases of our products and earnestly solve the difficulties in purchases and sales of products and goods. Concerning the means of production and consumption that are indispensable for our state plan and people's livelihood, we should persist in producing, purchasing, and marketing them in a planned manner in order to ensure the supply for our production and livelihood. However, we should appropriately readjust, in the light of the change in situation, the degree, scope and concrete methods of the state's monopoly on the purchases and sales of these goods. We should continue to relax our control over agricultural and sideline products and increase the number of products regulated by the market mechanism. Under the situation of a substantial increase in our agricultural and sideline products, we should develop some intensive processing undertakings in order to reduce the amount of the state subsidies and satisfy the diversified demand of the masses of people. Our region has already formulated and issued the "Circular on the Readjustment of the Policies on the Purchases and Sales of Agricultural Products and the Improvement of the Methods of Purchases and Sales" and the "Circular on Continuing To Develop Production of Pigs and Improving the Methods of Pig Purchases." All the relevant departments should conscientiously implement these

two circulars. Under the prerequisite of adhering to the principle of regarding planned economy as the core and supplementing it with the regulation of market mechanism, we should give full play to the role of our state-run commerce and the trade of the supply and marketing cooperatives. At the same time, we should vigorously help both collective and individual commerce develop and give play to their assistant and supplementary role in facilitating commodity circulation.

We should satisfactorily arrange the supply in our markets. Our commercial and circulation departments should conscientiously study new trends in the consumption demand of our urban and rural people and try every means to satisfactorily supply commodities. We should conscientiously expand the sales of the commodities that we have in plentiful supply in order to satisfy the demand of our masses of people. On the other hand, we should vigorously strive to markedly improve the supply of the commodities that are in short supply. We should increase the supply of the industrial products of well-known brands, of fine quality and of new designs and the supply of the marketable goods that our people need for their daily livelihood. We should carry out thorough stocktaking in all our warehouses and tap the potential of our storage capacity. We should conscientiously arrange the marketing in our domestic markets of the products that are unmarketable in our foreign trade. In the work of withdrawing currency from circulation, we should focus on rural areas. We should arrange the direct supply of large quantities of industrial goods in our rural areas and the direct supply of a good many agricultural and sideline products in our urban areas. We should pay great attention to satisfactorily grasping the supply of means of production, building materials and certain kinds of necessary goods for people's life. Besides ordinary goods, we should also supply some high- and medium-grade commodities.

We should speed up the reform in our circulation system. In carrying out the reform in the system of wholesaling of industrial products in our urban areas, we should gradually establish, in accordance with the principle of economic rationality, a wholesale system based on central cities, and thus from the commodity circulation centers of the whole region and the economic zone. We should set up trade centers in our cities, and actually combine independent and agency business and large-scale wholesale and small retail business. In this manner, our commercial units will be able to do diversified forms of business in a flexible manner including acting as agents of purchases or sales, agents for storing or transporting goods and agents for contracting the processing or ordering goods, and thus it will provide a direct link between production, circulation and consumption. We can also set up trade centers at the points where agricultural and sideline products are collected and distributed. By so doing, buyers and sellers from all areas and from both public and private sectors will come to meet and transact business with one another and this will enliven the circulation of our agricultural and sideline products. We should carry out the reform of our system of rural supply and marketing cooperatives in accordance with the spirit of the region's "Circular on the Report on Deepening the Structural Reform in Supply and Marketing Cooperatives and Promoting the Development of Rural Commodity Production," and make breakthroughs in five areas including labor system, subscriptions of shares in the cooperatives

by peasants, business scope, labor remuneration and prices. We should turn our basic-level supply and marketing cooperatives into the cooperative commercial units that are owned collectively by our masses of peasants, and turn them into comprehensive service centers in our rural economy and thus enable them to more satisfactorily serve rural commodity production. The reform in our credit cooperatives should be carried out in accordance with the spirit of the region's "Circular on the Report on the Consolidation and Reform in the Management System of Our Credit Cooperatives," turn our credit cooperatives into genuine collective and cooperative financial organizations that operate under the leadership of the banks of the state and assume sole responsibility for their profits and losses, and restore and strengthen their nature as mass organizations, and the democracy and flexibility in their management.

We should continue to implement the policy on maintaining a basic stability of prices in our market. We should regard stabilizing the prices of our foodstuff as the key link in stabilizing prices of goods and stabilize the supply of pork, the supply of beef and mutton for minority nationalities and the prices of major foodstuffs such as a large variety of vegetables, eggs, bean curd and milk. The region has already issued the "Circular on Doing a Good Job of the Purchases and Sales of Vegetables and Basically Maintaining Stable Vegetable Prices." All the relevant departments should conscientiously implement this circular. We should continue to strengthen market management, intensify the inspection and supervision on prices, forbid unauthorized price hikes and prevent the malpractice of putting up prices of goods by speculation.

#### 4. We Should Conscientiously Promote the Progress of Science and Technology

From the point of view of our four modernizations, the new technological revolution in the world is a challenge as well as an opportunity. We should conscientiously greet the "new technological revolution." On the one hand, we should pay close attention to the trend of development of this revolution and adapt various aspects of our work to the requirements of this revolution. On the other hand, we should grasp favorable chances, vigorously develop our science and technology, grasp the application of new technological achievements and develop our region's economy.

This year, we should concentrate our strength on formulating a long-term scientific and technological plan for the whole region. The formulation of this plan should be combined with that of the national economic plan. We should harmonize the development of our science and technology with that of our economy and society. We should pay attention to the research of applied science and make our research work directly serve the construction and development of production. We should strengthen the development of production technology and the soft scientific research [ruan he xue yan jiu 6516 4430 1331 4282 4496]. We should carry out systematic feasibility study on the development of the major agricultural commodity base in old irrigated areas, the rational structure of the agriculture, forestry and animal husbandry, the plan to strike ecological balance in southern mountainous areas and the development and exploitation of resources in the areas on the eastern slope of Helan Shan. We should continue to exploit the advantageous resources of Chinese

wolfberries, sophora alopecuroides, and coal and the new products and new technology such as the low-noise single-phase condenser motor and the technology of fast crystallization of ferric oxide. We should develop new types of building materials. We should pay attention to the development of rising new technology, satisfactorily grasp the application of micromachines, lasers and isotopes and the research of biological technology in order to create conditions for the development of industries of rising new technology in our region. Our enterprises should carry out their scientific and technological work to improve the quality of their products, develop new products, reduce consumption of resources and transform their technology and equipment. In our rural scientific and technological work, we should conscientiously introduce and popularize the advanced technology that is suited to our rural areas in order to promote the construction of the large agricultural commodity base in our irrigated areas and the growing of grass and trees in our mountainous areas. We should satisfactorily grasp the popularization of the application of our scientific research achievements. As for the research items that are urgently needed in our production and construction and which give satisfactory economic results, such as hybrid rice, "Ningchun No 4" wheat, anti-static electricity plastic pipes, low-noise micromotors, and alkaloid of sophora alopecuroides, we should create conditions for turning them into production capacity as soon as possible. We should grasp the reform in our scientific and technological system. We should sum up our experiences in the newly emerged all-round technological responsibility system and the systems of transferring technology with compensation fixed by contracts and of assigning scientific research tasks by contracts, particularly scientific, educational, and economic joint ventures in order to explore for new experiences to revitalize our economy, science and education, and speed up our four modernizations.

Population growth is closely related to economic development. We should continue to implement the state's policy on family planning, ensure the implementation of various kinds of measures and effectively control the growth of population in our region.

### III

In the new year, we must keenly pursue progress, continuously forge ahead, emancipate our minds, adopt an open-door policy in carrying out our construction, conscientiously carry out technological development, and earnestly improve our work style in order to meet the demand of the new situation.

#### 1. We Should Continue To Emancipate Our Minds

In order to make our region's economy prosperous, we must continue to emancipate our minds, unify our understanding and remove various obstacles to our progress.

First, we should continue to weed out [qingli 3237 3810] the influence of "leftism." The party's line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee have been worked out on the basis of profoundly summing up our historical experiences and in accordance with the new situation in the new period. They entirely conform to the objective reality and the desires of our party and people. However, the minds of some of our comrades are still to different extents fettered by "leftist" ideas and conventions, therefore, they fail to sufficiently understand the importance of implementing the party's policies or to act vigorously, and even consciously or unconsciously set obstacles to the implementation of these policies. Some

comrades doubt our rural policies and the policies of opening up to the outside world and enlivening our economy at home. For example, some comrades belittle specialized households and regard them as "households of under-the-counter relations and special households," and hold that we should use "socialist methods" to "strengthen our leadership" over the major households that operate their undertaking on a large scale and with a great turnover. These comrades do not worry if our peasants do not become rich, feel at ease when our peasants are slightly rich, and doubt them when they become very rich. Some comrades distorted our concepts of major channel and trade and regarded them as "unitary channel" and "unitary trade." They carried out the idea of "protecting the sector owned by the whole people, restricting the collective sector, and squeezing out the individual sector." Some comrades think that the more they read the better, but they seldom dare to seek truth from facts. They do not use practice to check their understanding but use their erroneous understanding as a pattern to cut out the developing reality. Some comrades are not willing to follow the old path, but they dare not open up any new path and have to suspend their actions until other people have created some experience. Some comrades fear that if we utilize foreign capital, we will violate the principle of self-reliance and hinder the development of our national economy. They also fear that they will be cheated and suffer losses if they make any transactions with foreign businessmen. Therefore, this hampers their initiative and makes them overcautious in their work. All this shows that some of our comrades have failed to sufficiently emancipate their minds and lack the courage to carry out reforms. As a result, they have failed to sufficiently enliven our economy. In order to first put an end to our economic backwardness, we must correct the "leftist" tendency. We should steadfastly implement the party's principles and policies, make great efforts to study new situations and new problems, bravely reform the regulations and systems that are not suited to the development of the productive force, conscientiously probe into measures and methods that are favorable for the people to become rich through hard work, and maintain a high degree of identity in their thoughts and actions with the CPC Central Committee.

Second, we should eliminate the mentality of improperly belittling ourselves. Some comrades do not view Ningxia in the manner of seeking truth from facts. They think that everything in Ningxia is backward and thus lack confidence in putting an end to our economic backwardness and the courage to create a new situation. This is another obstacle that hinders our region's economic development. We admit that some things in Ningxia are relatively backward, but we have many favorable conditions. 1. We have abundant natural resources. The Yinchuan plain is irrigated naturally by rivers and abounds in wheat and rice. The vast mountainous areas in the southern part of our region are suited to the development of both agriculture and animal husbandry and forestry. Our region's gypsum and coal reserves rank first and fifth respectively in the nation. There are also relatively rich reserves of silica, limestones and petroleum in our region. The water resources were also abundant and they provide broad prospects for the development of irrigation and power industry. 2. We have a certain material and technological foundation. The average annual increase in our region's gross industrial and agricultural output value from 1949 to 1983 was 9.5 percent, a relatively big growth rate. Our coal, power,

metallurgical, machine-building, chemical, light and textile industries have begun to take shape. The level of production technology and management in some of our industrial sectors is relatively advanced and so is the agricultural production in the areas irrigated by the Huanghe. 3. We have relatively abundant labor resources. Our region has 4 million hard-working and closely-united people of Hu, Man, and other nationalities, a contingent of workers who have undergone the training of practice and who have certain level of education and skill, and a number of professional and technological workers. 4. We have a glorious revolutionary tradition. Our region is a part of the Shaanxi-Gansu-Ningxia Border Area. The people of Hui, Han, and other nationalities in our region are carrying on the spirit of hard struggle, constantly making efforts to become strong and fearing no dangers in dedicating themselves to our cause when they are working for the revitalization of Ningxia's economy. 5. We have the vigorous support of other provinces, municipalities, and regions, which will continue to play a tremendously great role in promoting our region's economic and cultural construction. 6. We have the correct leadership of the CPC Central Committee, which has fixed a path of modernization that is suited to our national conditions and formulated the program for creating a new situation and the principles and policies for the realization of this program. This is the most important guarantee. Therefore, we should have an overall understanding of Ningxia. We should see its favorable as well as unfavorable conditions and we should not only see the difficulties caused by our backwardness, but still more should we probe into the way to develop our strong points and overcome our weak points and turn unfavorable factors into favorable ones. Thus we will strengthen our confidence in doing a good job of Ningxia's economic work. Of course, we should not see only Ningxia's strong points and fail to see its weak points and thus be blindly complacent. We should realize the fact that there is indeed a relatively great disparity between our region and other provinces, municipalities, and regions and in many areas our work has fallen short of the people's expectation. We should be modest and prudent and double our efforts.

## 2. We Should Make Efforts To Carry Out Intellectual Development

To an increasingly great extent, our region's economic growth is determined by the development of people's intellect and the development of science, but the demand for the development of people's intellect is more urgent. In the past, we failed to pay sufficient attention to intellectual development. We cannot help but regard this as an important reason why our region's economic development has fallen short of the idealistic standard. In the future, people throughout our region, whether at top or lower levels, should regard intellectual development as a fundamental measure to improve the quality of all sectors. We should continue to increase our intellectual investment, the percentage of which should be higher than that of the nation. Our education should be geared to the needs of the modernization, the world, and the future. We should not only be aware of our immediate needs, but must also see the long-term needs. We should not only act in accordance with the demand resulting from the development of our production, but must fully estimate the trend of the development of modern science and technology. We should grasp the progress of the necessary reforms in our system, content, form and methods of education. We should make

great efforts to satisfactorily manage our schools at all levels and of all categories, strengthen the development of our secondary and primary schools, speed up the construction of the Ningxia industrial institute and the No 2 Xibei nationalities institute, continue to develop nationality education and speed up the training of people of talents. In developing our education, we should adopt the method of walking on two legs--developing education both by the state and the masses of the people, and thus we will give full play to the financial, material, and labor potential among our people in developing education and encourage families and individuals to make intellectual investment. We should strengthen the training of our staff members and workers, organize them to study reading, writing, and scientific knowledge and thus improve the quality of our contingent of staff members and workers. We should give full play to the role of the existing scientific and technological workers, and organize them to take part in drafting plans and tackling major problem hurdles. We should adopt various forms to help them renew their knowledge. In order to further implement the party's policies toward intellectuals, cope with the new situation and problems that have emerged in our work related to intellectuals, and give full play to the important role of our intellectuals in our modernization, recently, our regional CPC committee and people's government have been formulating several new regulations on concrete policies related to the work concerning intellectuals. According to the arrangement of the CPC Central Committee, in the first 6 months of this year, we should carry out another inspection on the implementation of the party's policies toward intellectuals, and continue to solve the problems related to their work and livelihood. As for the long-standard "old, big, and difficult" problems, we should organize people to solve them within a certain deadline if conditions for solving them are mature. There are 900,000 graduates from senior and junior secondary schools now in our region. This is a very good foundation for intellectual development. We should do a good job of the education to popularize science and raise the scientific and technological level of the vast masses of people. We should pay attention to the work in forecasting personnel supply and demand, make investigation and study of the relations of supply and demand in various departments and trades and enable the supply of the personnel of various trades to meet the demand in a planned manner.

### 3. We Should Pay Attention to the Ways To Make Money, Accumulate Funds and Use Funds

True, our region cannot dispense with the vigorous support from the state in our modernization because the production in our region is relatively underdeveloped and we lack funds; but the fundamental way out is to carry on the spirit of self-reliance and hard struggle and pay attention to the ways to make money, accumulate funds, and use funds.

The way to make money is mainly to develop production, practice strict economy, and raise our economic results. In all the economic spheres in our region, there is much to achieve in increasing income and reducing expenditure. In the 30 years from 1950 to 1980, we have invested 3.9 billion yuan in our industrial and agricultural capital construction, but the additional output value brought by the investment only totaled more than 1.9 billion yuan, an average return of 1 yuan of output value to 2 yuan of investment. We should

think out ways to tap the potential of our enterprises and turn this potential into huge wealth. We should strengthen our accounting work and eliminate waste. We should be brave in probing into various ways to make money, and strive to increase our financial resources.

Paying attention to the way to accumulate funds means in the main to correctly handle the relations between the interests of the state, the collective, and individuals. We should implement the principle of "first we should have enough food and second we should carry out our construction." On the basis of the development of production, we should gradually raise our people's living standard. The increase in the consumption level of our people should match the financial and material resources. Recently the State Council has issued the "Circular on Relevant Questions Related to the Bonus Payments in Our State-run Enterprises," and our people's governments at all levels and all the departments should conscientiously implement this circular. They should control the range of increase in their consumption funds. They should neither continue to set a limit to bonus payments, nor should they allow the consumption funds to increase excessively and grow out of control. Our principles are:

1. The labor remuneration of our workers and staff members should be linked with the enterprises' economic results and results in fulfilling the state plans in an all-round manner and be linked with the results of their own labor.
2. The total amount of bonuses payments should not exceed the bonus funds that are allocated to our enterprises according to prescribed proportion.
3. The enterprises that have fulfilled the state plans in an all-round manner and achieve an increase in taxes and profits over the year before can correspondingly increase their bonuses funds, and there is no top rate of increase in bonus funds.
4. When the top limit is removed, we should collect bonus tax, which will not be paid by staff members and workers on an individual basis but will be paid by enterprises from their funds for bonus payments to their staff members and workers.

The malpractice of dispersion of funds and low economic results in employing funds is prominent in our region. We should satisfactorily manage the scattered funds of various sectors and do our best to concentrate them in order to satisfy the state's demand for funds for its major construction projects.

Paying attention to the way to use funds means that we should rationally distribute funds and practice economy in using funds. We can achieve nothing if we do not have money, but even if we have money, we still cannot achieve anything if we are not good at using our money. Now, some departments and areas have a dependence mentality. They ask the state to allocate funds to them for doing everything and do not pay attention to the economic results of the money that they have spent. Our various units must adhere to the principle of using the least investment to achieve the best economic results and make the best use of their money. They should establish the responsibility system geared to the employment of funds and thus ensure the appropriate employment of funds and prevent waste. We should strengthen our work in the administration of law, continue to perfect our legislation, train legal personnel for our enterprises and give play to the role of law, decrees, and regulations in the development of our economy.

#### 4. We Should Open Our Door in Carrying Out Construction

Opening our door to other provinces, municipalities, and regions and to foreign countries under the guidance of the principles of regarding self-reliance as the core and supplementing it with our efforts to get external aid is an important way to promote the economic development of our region. In the past few years, our region has done some work in this area and achieved good initial results. This, however, is only a beginning. As a guiding thought, we should be clear that at present the problem is not that we have opened our door too widely, but is that we have failed to open it widely enough. We should emancipate our minds from the fetters of the idea that learning from abroad means slavish comprador philosophy and that self-reliance means doing everything by ourselves from the beginning. We should switch into being courageous in introducing funds, technology, and talented people from abroad and directly strive to catch up with the advanced world level.

We should open our door to other provinces, municipalities and regions. In the light of our local conditions, we should give play to our advantageous factors, develop our strong points, and overcome our shortcomings in order to extensively develop material, technological, and economic cooperation with other provinces, municipalities, and regions. These three kinds of cooperation should continue to develop extensively and deeply. Material cooperation must grow from the scope of the cooperation related to means of production to that related to means of subsistence. Technological cooperation must develop from technological service to technological transference and compensation trades. Economic cooperation must develop from joint venture to interprovincial, interregional and inter-departmental combinations. We should recruit from other areas, in a planned manner, talented people to serve our purpose and encourage them to use their talents to help the development in the remote region of Ningxia. In the first half of this year, our region convened a conference on the economic and technological cooperation with five provinces in the northwest. We should make use of this good opportunity to strive to decide on more projects of cooperation. We should continue to develop economic and technological cooperation with Beijing, Tianjin, Shanghai, Zhejiang, Shandong and other provinces. We should continue to win strong support for Ningxia's work including the provision of economic consultative service and aid for our intellectual development from the "two associations" in Shanghai and the Central Committees of various democratic parties.

We should open up to the outside world. In accordance with the correct principle of the CPC Central Committee on the policy of opening up to the outside world, we must not only dare to utilize foreign funds and technology bravely, but should also be good at utilizing them carefully and properly. We should strengthen our overall balance and all-round planning, make satisfactory initial preparation and feasibility studies of our projects and guarantee the achievement of reliable economic results. We should create fine conditions for investments and cooperation by various means, vigorously promote the development of joint ventures with joint investment, cooperation in management, cooperation in exploiting natural resources, compensation trades, and processing and assembling goods with imported materials and components. In particular, we should actively introduce the advanced technology which suits our conditions in order to promote

the technological progress in our region. In the second half of this year, our region will convene a conference on utilizing foreign funds and introducing technology for which our various relevant departments should make vigorous preparation. We should make great efforts to develop our foreign trades and should continuously increase the export of our agricultural, sideline and local products and should do our best to increase the proportion of industrial products in our export. We should produce a number of well-known backbone products of high quality and sharpen the competitive edge of our exports. We should positively arrange export of our labor force and the provision of international economic and technological cooperation and services such as providing technological service and contracting construction projects.

#### 5. We Should Improve the Work of Our Government

This year is the first year in which our all-round party rectification begins. We should promote the development of all our economic work with the spirit of party rectification. The leading cadres at all levels must intensify their study and continuously improve their art of leadership. All government departments must establish a sound system of personal responsibility and give full play to the role of various functional sectors. We should have the spirit to vigorously forge ahead and creatively do our work. We must grasp firmly to the very end everything for which we have formed a definite plan and which is beneficial to our four modernizations, and set a deadline for doing it effectively. We should strengthen the relations between various departments and various areas, and encourage the practice of solving problems directly face to face. The authorities of the departments at higher level will be responsible for bringing the different opinions of the two sides into line. When anything emerges, we should not be dilatory, shift responsibility onto others, or dispute over trifles. We must go deep into the practical situation, make investigation and study, discover new problems, sum up new experiences and more vigorously direct our work. We should get rid of bureaucracy, simplify our documents, cut the number of our meetings to a minimum, discuss great important matters, understand the whole situation, manage our own profession and improve our work efficiency.

We should strengthen the ideological and political work, conscientiously and satisfactorily grasp the ideological and political education among the broad ranks of cadres and masses of people, deepen the activities of the movement of five stresses, four beauties, and three loves, and universally establish various kinds of civilized units. We must eliminate and prevent spiritual pollution, oppose and crack down on various illegal and criminal activities and strive to bring a radical turn for the better to the general mood of our society.

Deputies: This year is a year of crucial importance in the implementation of the Sixth 5-Year Plan, a year in which we start to catch up with the medium standard of the whole country. The tasks before us are glorious and arduous. Let us rely on the people of all nationalities throughout the region under the correct leadership of the CPC Central Committee and unite as one, work hard and make great efforts to catch up, and exert ourselves in the struggle to win greater victory in our region's socialist modernization.

## ECONOMIC PLANNING

### ECONOMIC SITUATION, PLANS FOR THE YEAR DISCUSSED

Hebei JINGJIAUE ZHOUBAO [ECONOMIC WEEKLY] in Chinese, 20 Feb 84 p 5

[Article by Reporter Fan Jixian [2868 4764 2009]: "Governor of Henan Outlines Henan Economic Situation and Plans for the Year"]

[Text] Problems -- Problems Exist under Excellent Situation, New Contradictions Are Encountered on the Way of Progress.

The situation is very good, but it is not to say that we are free from difficulties, problems or contradictions. We must make a full estimate and a cool-headed analysis of them and deal with them correctly. We must adopt effective measures to solve them.

We must first catch sight of the fact that the bumper harvests of the crops last year resulted not only from subjective efforts, but also from objective favorable conditions, namely, the good weather for the crops in most of the counties in the two seasons of both summer and autumn, which is rarely seen in Henan. Second, the increase of revenue did not rely mainly on the improvement of the quality and production structure of the enterprises, but on strengthening of management which still is a "movable property."

Therefore, benefits and rate can only be regarded as having a synchronous increase. Third, although there was a balance between revenue and expenditure with a light surplus, yet there was not a big margin and it still was a tight balance. Fourth, under the condition that the market was brisk and the price was basically stable, some problems still existed in the supply of commodities.

At present, we are encountering with some new contradictions while making progress. These contradictions are especially conspicuous in financial, monetary and commercial circles.

First, judged by the overall situation, economic results are still not good and there is still a large deficit of approximately 450 million yuan of which 150 million yuan is in foreign trade, 150 million yuan in commerce, more than 70 million yuan in grain and more than 70 million yuan in industry. As far as business is concerned, the main problem is that there is a large stock of textile products which has been kept for too long and the

situation is more conspicuous here than in other provinces and cities. The standards of quality, variety and assortment of it are all relatively inferior. Financially, we feel that it is very tight because what is centrally concentrated must first be assured. Some expenditures with guaranteed increases such as wage readjustments must also be assured.

Second, in the field of circulation, problems of "difficult to purchase" and "difficult to sell" still exist in some of the industrial and agricultural products. The most outstanding problems of "difficult to purchase" are difficulties in purchasing grains and cotton. An increase of production also has brought about many problems. For instance, the inadequacy of warehouse space is an outstanding problem. Problems of this kind may still emerge in 1984. In the case of "difficult to sell", supply is falling short of demand in chemical fertilizers, small-sized farm implements, diesel oil for agriculture use, construction materials, and so forth.

Third, there is an excessive amount of money in circulation on the market. At the end of 1983, it reached 3.53 billion yuan, an increase of 700 million yuan over that at the beginning of the year. How to withdraw banknotes from the market is a problem.

Fourth, with regard to the supply of commodities in cities, the price problems of pork and vegetables are relatively outstanding. On the one hand, farmers feel that low prices cannot arouse their enthusiasm for production, but city residents argue that prices are too high. On the other hand, the financial subsidy provided by the state has been increasing year by year and it will be difficult to bear the burden of the unceasing increase. How to properly resolve these problems is an important question which urgently needs thorough study now. No unified supervision over the price of vegetables is practiced at the provincial level, but in all places at the lower level, three different forms are adopted. The first is an overall supervision, while the second is basically not to supervise, and the third is to place only the important items under control while letting the small items go. It seems better to keep more than 20 principal categories of vegetables under control because it simply does not work if we do less.

It is necessary to make a full estimate of the difficulties, problems and contradictions as mentioned above so that effective measures can be adopted to correctly find a settlement.

Tasks -- We Have To Attain A Yet Higher Goal with Steady Steps But at A Faster Pace.

The good economic situation has also brought pressure to quicken the rate of development. The people look for us to accelerate development.

The year 1984 is the 4th year of the "Six 5-year plan" and the 2nd year for opening a new prospect for the construction of the socialist modernizations. We must continue to emancipate our mind, be always in full confidence and quicken the steps in making progress. We can only

get on and attain yet a higher goal on the basis achieved in last year and must be in a faster pace while climbing up.

However, our steps must be steady, realistic and within our reach. It is not advisable to act with undue haste because haste brings no success. It is necessary to take note with a sober mind that still there are many difficulties facing us. Still we are restricted by conditions of one kind or another and we do not have a foundation which is solid enough. Our present task still is to lay a foundation for making a vigorous development in the next 10 years. Therefore, we must march forward cautiously and steadfastly. We must continue to implement the policies of "readjusting, restructuring, consolidating and improving" and of "opening to the outside world and revitalizing domestically" and to foster a concept by placing stress on beneficial results, on the overall situation and on making contributions in order to center our attention on improving the benefits in such aspects as production, construction and circulation to strictly control the scale of investment of fixed assets and the increase of consumption fund as planned so that we can concentrate our energy to improve key production and construction projects in order to strive for a basic turn for the better of the financial and economic situations.

In 1984, the fundamental task in the economic development in our province is to further readjust the agricultural economic structure and achieve an overall bumper harvest in agricultural production so that the output of principal crops may exceed the average level of the recent 3 years and forestry, animal husbandry, side-line production and fishery may have a faster development so that the total value of agricultural output may reach 20 billion yuan which is 5 percent over the past year. In industry, we must uphold the principle of producing in line with demand and of making arrangement according to priority. We must vigorously develop products which are marketable and make major efforts to improve the quality and lower the cost of products so that the total value of industrial output may reach the neighborhood of 24.5 billion yuan, a 5 percent increase. In the course of implementation, we have to strive for a six percent increase and a synchronous improvement of benefits and the rate of development. The construction of key projects must be guaranteed in capital construction. Efforts must be made to lower the cost of construction projects and to improve investment results. With regard to circulation of commodities and transportation, it is necessary to promote the flow of goods and materials between cities and villages, to develop a combination of economy and technology and to promote external trade to increase exports. Market prosperity must be maintained and arrangement must be made to enable the people to have a good life. It is necessary to insure that our foreign trade deficits do not exceed the level of 1983. We must strive for abolishing managerial loss and reduce strategic loss to the minimum. We must, on the basis of practicing strict economy in economic growth, strive for a revenue exceeding 3.8 billion yuan, a bigger increase than that of last year in order to realize a basic balance between revenue and expenditure.

In short, we do not have other choice but to firmly rely on the leadership of the Party Central Committee and the State Council, and rely on the joint efforts of the people throughout the province to pool our wisdom and strength to revitalize the Midlands!

Plans - To March Forward in the Course of Accelerating Technical Innovation, Strengthening Management, Making A Conscientious Consolidation and A Thoroughgoing Reform.

In order to revitalize the economy, we are prepared to pay special attention to the work in the following aspects:

(1) Accelerating Technical Innovation

We have to put an end once and for all to the backward outlook of industries in our provinces. We must, on the one hand, do a good job in key construction projects in a planned way and, on the other hand, combine readjustment with consolidation in enterprises for carrying out technical innovation to improve the quality of enterprises, make technical progress, and change the situation of old technology, old products, high drain and low benefits.

At present, we are faced with the difficulty of the shortage of both capital and technology. In order to solve the problem of the shortage of both financial resources and qualified personnel, we plan to start from the following aspects: (1) To raise funds by the masses for developing collective enterprises. Since the masses have money in their hands, it is possible for them to properly and voluntarily pool some resources.

(2) To have policies and systems been relaxed a little bit. For instance, the authority of large-scale enterprises to use depreciation funds and to defray overhaul budgets must be expanded. On condition that it will not affect the centralization of state finance, pilot projects have to be launched at experimental units to raise the rate of depreciation. It is planned to launch pilot projects at country-run small-scale chemical fertiliser industries. At present, the rate of depreciation of chemical fertilizer plants is only 5 percent, while the average life of chemical fertilizer equipment is 7.5 years, so it is obviously not suitable.

(3) To draw capital from outside including capital from other provinces and from abroad. Our province is rich in such resources as coal, bauxite, farm and sideline products for which we are relatively in a dominant position, while some of the coastal provinces and cities gain the upper hand in the supply of capital and qualified personnel because of a more developed economy and technology. We plan to pool our resources together to promote development and launch compensatory trade. At present, we have launched regional economic cooperation with Jiangsu, Zhejiang, Shanghai, Guangdong and Fujian. Today, the prime difficulty lies in the inadequacy of transportation facilities. For the purpose of utilizing foreign capital and technology, we have decided to set up a staff office of foreign economic affairs. (4) To absorb advanced sciences and technologies from other provinces and from abroad. There are approximately 1,500 experts and

scholars who are natives of Henan living in foreign countries, and there are also many experts and scholars of Henan who are natives working in other provinces. They are very much concerned about the construction of their homeland. We plan to organize them to visit their native places to make suggestions and offer ideas on the construction of their homeland. We are also prepared to recruit some scientific and technical personnel who are willing to work in Henan. We shall do our best to provide them with facilities and offer them appropriate jobs and authority so that they can have the post, authority and responsibility to give full play to their skills. They can also utilize the technical know-how of relevant offices in the Central Government. For instance, our province has already signed 63 agreements with the Ministry of Astronautics so that some of the equipment which had to be imported from abroad in the past can now be designed and manufactured for us by the Ministry. (5) To formulate economic policies which can promote technical progress.

In order to accelerate technical innovation, it is necessary to make an overall investigation, analysis and study of the existing technical equipment and work out a plan of technical innovation in accordance with different trades and products which must also be combined with the plan for promoting business development. In 1984, our focal point is to carry out technical innovation of the textile industry. At present, we have already preliminarily carried out 216 technical innovation projects. Through technical innovation, we shall fight to enable the technical equipment of major industries reaching the world advanced level of the late 1970's and of the early 1980's.

## (2) Strengthening Management

Although technical innovation is an important link in economic development, it must proceed through a process. The exercise of the function of the advanced technology is impossible to deviate from scientific management. In practice, we can notice that there is a direct relationship between management and results. For instance, the Zhengzhou Aluminum Plant has given us a great of enlightenment. Of the newly obtained results of this plant, 38 percent are related to innovation of technology, 30 percent are related to expansion of production capacity, and 32 percent are related to improvement of management. Thus it can be seen that strengthening of management is very important.

How to strengthen management is a very important question which is worth study. In the past, when we talked about management we simply touched upon management of enterprises without the concept of business administration. And, moreover, we lacked the idea of systems (or to be called serial) management. In economic life, economic benefits will remain to be limited if we rely only on strengthening of management in enterprises. In order to go all out to raise economic benefits, it is still necessary to practice business administration and systems (serial) management. For instance, there are around a dozen departments to run and manage food industry, but it would not go through if there is no communication or mutual

coordination among these departments. It is necessary to do a good job in business administration in order to produce the best economic results. Another example is cotton. From cultivation to processing and marketing, it runs through different stages of agriculture, commerce, transportation, industry and finally re-enters into fields of transportation and commerce. Each department is concerned with only one stage of the process. It is very intricate and lacks systematic management and administration. Therefore, many contradictions cannot be resolved in time and it is difficult to further raise its economic results. Is it possible to set up an organization such as a "council for guiding production and processing of cotton" (or group) to coordinate production, supply and marketing? Systems (or series) of this kind can be either large or small. Large scale systems can be one single system for cities and another for the rural areas. Systematic (or serial) guiding organizations may be set up in accordance with the actual conditions and needs which can be affiliated to an overall department of the government playing the role of guidance and coordination. This will not only be a vertical-horizontal relationship, but a three-dimensional management and administration as well.

### (3) Conscientious Consolidation

It is necessary to continue doing a good job in consolidation. Consolidation is closely related to economic development. Only after doing a good job in consolidation can we improve and develop. Consolidation is a task to be carried out in every aspect. First, we must pay close attention to consolidation in industrial enterprises and do it well in accordance with our plans to have the task accomplished before the end of 1985 at a level above the average. At the same time, stores, farms, schools, hospitals, scientific research units, newspapers and literature and art organizations must all be consolidated. It is necessary to work out consolidation plans, to put someone in charge of the work and to have the work accomplished by stages and in different groups.

### (4) Thoroughgoing Reform

In carrying out reform, we must first hold firm to our determination. At the same time, we must catch sight of the fact that reform is being carried out during the period of readjustment while difficulties still exist in many aspects. Therefore, we are faced with the problem of correctly handling the relationship between reform and stability. The overall situation must be stable and this is most important, otherwise, reform is out of the question. However, stability and reform also are dialectically unified. Contradictions in many aspects cannot be easily resolved without reform. Only reform can bring us stability and development. Yet, in the course of reform we must also take into consideration both stability and the capability of the treasury to bear the burden. Therefore, the policy to be adopted in reform is to integrate enthusiasm with steadiness, and the steps are that everything should go through practice without raising a hue or cry. We insist in utilizing and enhancing the role of market readjustment under the condition that planned economy

is the backbone. We must put the big ones under control and give appropriate freedom to the small ones to let them revitalize themselves. We must quicken our pace in reform of those things which have been assured or been proved to be successful by experiment such as the implementation of the contract system and the establishment of joint rural economic cooperatives.

The task which history has entrusted to us is arduous. We must do our utmost to enable the work of the provincial government to gradually become scientific under the leadership of the party and mobilize the more than 70 million people throughout the province to pool our wisdom and strength to revitalize the Midlands in order to make a greater contribution to the socialist construction.

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CSO: 4006/398

## ECONOMIC PLANNING

### DEVELOPMENT OF INDIVIDUAL ECONOMY IN SMALL CITIES AND TOWNS

Yinchuan NINGXIA RIBAO in Chinese 19 Apr 84 p 4

[Article by Lan Shiwei [5695 0013 0251]: "Develop Individual Industrial and Commercial Enterprises, Build Up Small Cities and Towns in Mountain Areas"]

[Text] The directive in the Central Committee's Document No 1 relating to the accelerated development of small cities and towns in our country expresses a strategic policy suited to China's national conditions and is an important measure for the gradual integration of agriculture, industry and commerce as well as for the prosperity to be jointly attained by all the people in the towns and villages. However, in order speedily to develop and build up small cities and towns, the present stage of things makes it imperative first to develop individual industrial and commercial enterprises in the county towns and market towns, especially in the cities and towns of the mountain areas that are economically backward, are rather inaccessible and lack channels for commodity circulation. Without a larger number of individual industrial or trading entrepreneurs, there cannot be any talk of developing the small market towns. From a long-term point of view, through sustained efforts throughout a certain number of years and in the course of the continuous development and growth of the market town economy, the individual operators could very well organize small enterprises of a joint nature, continuously open up markets, expand production (or commodity transportation) and thus build these places up into effective assistants for the state-run enterprises and the supply and marketing enterprises who are capable of taking on the important task of promoting prosperity in the mountain areas.

In the last 2 years, the individual industrial and commercial circles of Guyuan Prefecture developed remarkably well. The majority of these individual entrepreneurs operate their business efficiently, show outstanding economic results and are respectful of discipline and law and well-liked by the masses. They have indeed become an indispensable part of the markets in the mountain area. Judging from conditions in Guyuan, the unique business methods of these individual industrial and commercial enterprises are indeed playing an important role, which state-run enterprises cannot fill. First, there is a great variety of them, and they operate with great flexibility, make good any omissions and deficiencies in the market, take advantage of every opportunity and energetically promote the interflow of commodities between city and countryside. As to business methods, some spread their wares out in stalls and some circulate through townships and villages. They

extend their activities to every corner of the countryside, like the blood capillaries in the body, satisfying the production and livelihood needs of the people and solving the problems the people have in buying and selling. Second, these individual industrial and commercial entrepreneurs reactivate traditional arts and crafts and develop the processing of a great variety of agricultural sideline products, thus raising the value of such sideline products and increasing incomes from them. For instance, an individual entrepreneur by the name of Zhang in the county town of Guyuan started to produce seven items of sweetmeats from rice and sugar. Their flavor and quality are excellent and his prices are acceptable. He only sells wholesale, producing several hundred jin per day, which retailers rush to buy and snatch up in no time. Every county and every commune has a number of uniquely gifted artisans and craftsmen, masters in repairing and mending, who display their prowess and enliven the market, thereby, on the one hand, increasing their personal incomes and, on the other hand, increasing the state's tax revenue. Third, they help to a large measure solve the problems of employment in cities and towns and are, furthermore, inducing some peasants to leave agricultural pursuits without leaving the countryside and, finally, speed up the transition from a rural economy of self-sufficiency to a commodity economy. In Guyuan Prefecture there are now already 6,033 persons working in individual industrial or commercial enterprises, of whom 5,384 are in the villages. If we add to these individual industrial and commercial operators in the villages the specialized households working in the livestock and plantation industries, there are altogether 11,500 households, accounting for 5.5 percent of all peasant households; they set an example for transforming rural poverty into prosperity and are a core strength in this respect. Fourth, due to the development of these individual industrial and commercial entrepreneurs, a part of the money in the hands of the masses is siphoned back to become social funds. Turnover of these funds is fast, so that one sum of money becomes as useful as several times that amount. The profit margin is also fairly high; according to spot checks, 100 yuan of capital will yield 75.58 yuan of profit.

However, it is still unavoidable that problems of all kinds arise in the business installations, directions and methods of these industrial and commercial operators. If no attention, guidance and solutions are provided for these problems, they are bound to affect adversely the further development of these individual industrial and commercial undertakings.

First, the pernicious influence of "leftist" ideology has not yet been liquidated. The "jaundiced eye disease," regarding individual operators as "one class lower" and other such abnormal views are widely prevalent. Some of these individual operators still cannot make arrangements for appropriate places of business. In many small market towns the governmental offices have pushed their walls into the streets and the busiest parts of town, leaving hardly any place for the individual operators to erect a stall. On many occasions, the individual industrial or commercial operators are being embarrassed when it comes to loans, the replenishment of their goods or charges for fees. The view is also still held among cadres that "the individual operators have about reached the limits of their development," while actually a comparison with the various other areas of our country reveals that the development of individual industrial and commercial operators has not at all

"about reached its limits" but is still rather far away from its limits. There is also a large deficiency in the scale of business. The average capital owned by individual industrial and commercial operators in the mountain areas is only 542 yuan, which indicates extremely frail economic strength and would make rapid development difficult without support from other quarters. If the individual industrial and commercial operators cannot achieve a certain development, the small cities and towns will see no prosperity nor will the peasants attain prosperity. "Without certainty of grain, no merchants can live and no artisan can prosper." It is therefore presently still necessary to liquidate the pernicious "leftist" influences, to raise the political status of the individual industrial and commercial operator and to encourage the individual operators to pursue their business activities courageously, expand business and contribute to the "four modernizations."

Second, the zeal of all peasants to attain prosperity has been raised high, but quite a number of them lack business ability. For instance, some have had no experience in transportation but blindly went ahead and bought motor vehicles and hired well-paid drivers, with the result that their businesses lost money or that even an accident occurred and everything went to rot. In many processing industries (foostuffs, dress-making, sundry goods for daily use, etc.) the technical difficulties remained unsolved, and while it may still be possible to drift along somehow and eke out a living with little work and trouble, they would lack the technology and confidence to raise quality and would be unable to open up markets for their products. Most of the industrial and commercial operators are small traders and small grocers (in Guyuan these account for 70 percent), but very few enterprises of a developmental character, such as dairy cattle raising, chicken raising, foodstuff processing, tree nurseries, flower nurseries, etc., have been started up. In some counties (e.g., Xiji County) available water resources have not yet been fully exploited and utilized. Among all these problems, some are of a technical nature, some of financial nature, some have specific difficulties of providing fodder, etc. All departments concerned should earnestly try to solve these difficulties. If all departments, especially the leading cadres concerned, accept the development of the "two kinds of operators" as a matter of top priority for the development of the mountain areas and will conscientiously work for the solution of the whole series of specific problems, there is bound to be a down-to-earth and rapid development of the small cities and towns of the mountain area.

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## AGGREGATE ECONOMIC DATA

### HENAN GOVERNOR OUTLINES ECONOMIC STATUS

Hebei JINGJIXUE ZHOUBAO [ECONOMIC WEEKLY] in Chinese, 20 Feb 84 p 5

[Article by Reporter Fan Jixian [2868 4764 2009]: "Governor of Henan Outlines Henan Economic Situation and Plans For the Year"]

[Text] Recently, Comrade He Zhukang [0149 4376 1660], secretary of Henan Provincial Party Committee and Governor of Henan Province, spoke glowingly of the economic situation and plans for the year of Henan Province while he was interviewed by reporters Lin Wenyi [2651 2429 4135] and Fan Jixian of this newspaper. The principal parts of Comrade He Zhukang's conversation are as follows:

Situation -- The Economic Status is Good, Popular Feelings Inspired and Confidence Enhanced.

In 1983, the economic situation in Henan Province was similar to that of the whole country which maintained a good tendency of healthy development, even better than was originally expected.

Agriculture: There has been an unprecedented bumper harvest. The grain yield could have reached 56 billion jin which was 11.6 billion jin more than 1982. Both summer and autumn were seasons of good harvest. In summer of last year, the grain yield approached 30 billion and in autumn it was more than 26 billion jin. It was very rare in our history that there were bumper harvests in two consecutive seasons like this. There was a universal increase of production in large areas. Cotton exceeded 12 million dan. The best record in our history was 8.1 million dan in 1980 and it had fluctuated in the neighborhood of 4 million dan for a long period of time. At present, per unit area yield has reached 100 jin. The total value of agricultural output again has had a new breakthrough on the basis of increases in consecutive years. Compared with 1982, it registered a 13 percent increase.

Industry: The situation also was better than originally expected. First, the rate of increase was planned at 5 to 6 percent, but actually reached 8.1 percent. Second, results obtained were relatively obvious. As budgeted, industrial enterprises have realized a 42.7 percent increase in profit and a 27.7 percent increase in profit delivery and income tax.

Third, the output of principal products has reached the goal set forth in the national plan. Fourth, better results have been achieved in reducing losses and increasing profits. In 1982, the total losses suffered by industrial enterprises throughout the province were 200 million yuan. In 1983, while it was planned to bear a loss of 80 million yuan, the loss was brought down to 75 million yuan as a result of the implementation of the plan, 0.9 percent lower than the costs of products.

Finance: There was a balance between revenues and expenditures with a slight surplus. The revenue projected by the state was 3.375 billion yuan, but actually it was possible to reach 3.5 billion yuan.

Capital Construction: The overall investment scale has been brought under control. Full attention was paid to this work throughout the year. The manifestation has been that key construction projects were better assured than general construction projects while projects included in construction plans were better implemented than projects not included therein. And productive projects were better implemented than non-productive projects.

Market: The over-all situation was good. Supply of commodities were more abundant than in the past.

Institutional Reform: Improvement has been made. The first step in the work of replacing profit delivery with taxation has been smoothly accomplished. Commercially, the reform of the basic level supply and marketing cooperatives in rural areas has been completed and most of the counties have set up joint county-commune cooperatives. The establishment of rural village governments and the work to separate government from communes has basically been accomplished and joint rural economic cooperatives have been set up.

In short, the economic situation is good and the common aspiration of the people has been greatly enhanced, so has the confidence of the broad masses in realizing the socialist modernizations. Since the 3d Plenum of the 11th CPC Central Committee, the broad masses in Henan have sensed from their personal experiences that the situation is becoming better and better year after year. They believe that our future is full of promise.

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## AGGREGATE ECONOMIC DATA

### HEBEI RIBAO CARRIES 1983 PROVINCIAL STATISTICS

HK291520 Shijiazhuang HEBEI RIBAO in Chinese 5 May 84 p 3

["Communique on the results of the implementation of the 1983 Hebei Provincial Economic and Social Development Plan issued by the Hebei Provincial Statistics Bureau on 2 May 1984"]

[Text] In 1983, under the correct leadership of the Provincial CPC Committee and government, the people all over the province conscientiously implemented the 12th CPC National Congress' line, principles and policies; continued to implement the principle of readjusting, restructuring, consolidating, and improving; vigorously responded to the Provincial CPC Committee's call for "exerting ourselves and revitalizing Hebei"; further gave play to their initiative in building socialism and thus enabled the province's economy to develop in great strides and enabled the province to catch up with the pace of progress of the whole nation. The province's gross social value totaled 51.76 billion yuan.<sup>1</sup> This was 110.1 percent of the planned figure and 10.6 percent more than the previous year's figure. Its gross industrial and agricultural output value totaled 41,590 million yuan, an increase of 12.6 percent. This enabled the province to rank 5th in the nation instead of 17th as in the year before. According to our initial calculations, the national income of the province totaled 23.8 billion yuan, 110.7 percent of the planned target for the year and 11.1 percent more than the previous year's figure. The province's gross agricultural output value and its output of 48 major products including grain, cotton, coal, small tractors, and bicycles, all met the targets set for 1985 in the Sixth 5-Year Plan. As industrial and agricultural production developed, urban and rural markets became prosperous, the

1. Gross social output value is the sum of the gross output value of agriculture, industry, construction, communications and post telecommunications, and commerce (including the undertaking of supply and purchases of materials of goods and the catering trade); while national income is the sum of the net output value of the above-mentioned production sectors. The figures on gross social output value, gross industrial output value, gross agricultural output value, and national income were all calculated in terms of the current year's prices, but the growth rate over the previous year was calculated in accordance with comparable prices.

people's livelihood continued to improve, new progress was made in developing socialist spiritual civilization and heartening achievements were scored in all fields. However, we still failed to radically improve the poor economic results in the fields of production, construction, and circulation.

The following are the results of the implementation of the plan in various sectors of our national economy:

## 1. Agriculture

Despite serious natural disasters in some areas, because of the all-round implementation and gradual improvement of the all-round responsibility system with remuneration linked with output and because we have rationally readjusted the allocation of land for growing various crops and made greater efforts to provide agricultural technological services and popularize agricultural technology, we again took in a bumper harvest on the basis of the bumper harvest of the year before. In 1983, the gross agricultural output value totaled 16,501 million yuan, an increase of 17.2 percent over last year. Among the 137 counties in our province, 16 counties or 11.7 percent--including Li County, Qiu County, Daming, Jize, Ding County, Quzhou, Guantao, Chengan, Fengren, Yongqing, Shulu, Guangping, Xincheng, Fuping, Zhanhuang, and Boye--doubled their 1978 figures for gross agricultural output value.

In 1983, the output value of cultivation amounted to 11.3 billion yuan, which accounted for 68.5 percent of gross agricultural output value and was 21.3 percent more than the year before. The grain output totaled 37,997 million jin, 10.1 percent more than the year's planned target and 2,960 million jin or 8.4 percent more than in 1982. This set a new record for grain output. The output of cotton totaled 1.5 billion jin (in terms of ginned cotton), ranking second in the nation. This figure was 130 percent more than the year's planned target and nearly double the 1982 figure which was already an all-time high. The per mu output of ginned cotton was 121 jin for the first time in history, an increase of 47 jin or 63.5 percent over the year before. The output of rapeseed totaled 957 million jin, a decrease of 11.1 percent over the previous year. Because of a bumper harvest of cotton, the total output of oil still greatly exceeded the 1982 figure. The output of dried and fresh fruit totaled 2,526 million jin and that of hemp totaled 24.38 million jin, an increase of 24.7 and 6.4 percent respectively over 1982. The output of silkworm cocoons amounted to 2,022,300 jin, which was roughly the same as in 1982. The output of beets and tobacco was respectively 164 million and 28 million jin, 15.9 and 20 percent less than in 1982.

There was new development in forestry production. Its gross output value for 1983 totaled 405 million yuan, which accounted for 2.5 percent of the gross agricultural output value and [words indistinct] 8 percent increase over 1982. In 1983, forests were established on 4,254,400 mu of land, 42.5 percent more than in 1982 and 70.2 percent more than the planned target; 133.21 million trees were planted around farmlands and buildings, an increase of 11.69 million or 9.6 percent over 1982. At the end of the year, the province's forest area amounted to 45,793,800 mu, an increase of 5.8 percent over that at the end of 1982. The rate of forest cover was 13.07 percent. Wangdu, Zhengding, Ding County, Renqiu, Gucheng, Jin County, and Raoyang are granted the title of national advanced counties in planting trees in plains areas by the Forestry Ministry.

The output value of animal husbandry in 1983 was 1,689 million yuan, which accounted for 10.2 percent of the gross agricultural output value and was 1.8 percent less than in 1982. The number of pigs and sheep at the end of 1983 was respectively 4.2 and 10.7 percent less than the numbers at the end of 1982. The output of major livestock products increased rapidly. The output of pork, beef, and mutton totaled 1,023 million jin, an increase of 5.1 percent over 1982. The output of cow and sheep's milk amounted to 130 million jin, 18.2 percent more than in 1982. Honey output totaled 7.08 million jin, an increase of 16.1 percent, the output of eggs was 333 million jin, 15.2 percent more than in 1982. The number of big domestic animals at the end of 1983 totaled 3,737,100, 7.9 percent more than at the end of 1982.

Rural industrial and sideline production developed relatively considerably. In 1983, the industrial and sideline output value in rural areas (the output value of the industry run by communes not included) totaled 3,035 million yuan, which constituted 18.4 [as printed] of the province's agricultural output value and was an increase of 19 percent over 1982. This increase was mainly because of the development of industrial and sideline production by commune members on the basis of their households (including specialized households), the output of which totaled 981 million yuan, an increase of 96.2 percent over 1982.

The development of fishery was slow. In 1983, the total fishery output value amounted to 72 million yuan, which accounted for 0.4 percent of the gross agricultural output value and was a decline of 7.4 percent compared with 1982. The output of aquatic products totaled 91,600 metric tons, 7.4 percent less than in 1982. Of this output, 80,700 metric tons were marine aquatic products, 10.2 percent less than in 1982, and 10,900 metric tons were freshwater aquatic products, an increase of 21.1 percent over 1982.

Agricultural equipment improved. In 1983, the peasants spent 2,964 million yuan in all in purchasing agricultural means of production. This spending was 20.4 percent greater than that in 1982. The motive power of the agricultural machinery possessed by rural collectives and peasants at the end of 1983 totaled 21.46 million horsepower, 16.3 percent more than at the end of 1982. The number of large- and medium-sized tractors was 46,000, the same as in 1982, but the number of small tractors rose to 167,000, an increase of 25.1 percent. The motive power of agricultural drainage and irrigation machinery totaled 12.61 million horsepower, 14.9 percent more than in 1982. On average, 100.3 jin (in terms of actual weight) of fertilizer was used in each mu of farmland. This was an increase of 20.5 jin over 1982. At the end of 1983, there were 608,000 motor-pumped wells, 3.9 percent more than that at the end of 1982. The province thus greatly increased its efforts in developing water conservation facilities.

At agricultural production rose sharply and specialized and key households quickly developed, [as printed] particularly as the output of cotton, a product with a high commodity rate, doubled; the commodity rate of agricultural and sideline products increased markedly. In 1982 this rate was 41.8 percent and by 1983, it was 50.7 percent. In 13 counties, the peasants sold more than

100 million jin of grain (calculated in terms of the calendar year) to the state. The grain sold to the state by these counties accounted for 29.1 (?percent) of the total grain purchase by the state in the province. The per capita net income of our peasants rose by 24.9 percent over 1982. This fully manifested the great power of the party's various rural policies which have been formulated since the 3d Plenary Session of the 11th CPC Central Committee.

## 2. Industry

In 1983, our province put an end to the stagnation in the development of its industrial production and relatively quickly developed its industrial production. The province's gross industrial output value totaled 25,089 million yuan, an increase of 9.9 percent over 1982. This greatly exceeded the planned target of a 4-5 percent increase for that year and was the greatest growth rate the province scored since the beginning of readjustment. The gross output value of light industry totaled 11,540 million yuan, which was an increase of 9.4 percent over 1982 and was much greater than the planned target of 4.5 percent. The textile industry increased by 15.6 percent, paper industry increased by 16.5 percent, the garment industry by 8.3 percent, and the food industry by 3.7 percent. The output value of heavy industry totaled 13,549 million yuan, an increase of 10.4 percent over 1982 and 3.5 percent in excess of the year's planned target. The machine building industry increased by 18.3 percent, the metallurgical industry by 12.6 percent, the chemical fertilizer and pesticide industry by 7.4 percent, the building materials industry by 5.6 percent, and the coal industry by 5 percent. The proportion of the gross output value of heavy industry in the gross industrial output value rose from 52.8 percent in 1982 to 54 percent in 1983.

Of the 80 kinds of industrial products which are included in the list of products assessed by the plan, we have fulfilled or exceeded the planned targets for 69 of them including coal, petroleum, rolled steel, caustic soda, sulphuric acid, small tractors, tires, bicycles, television sets, gunny sacks, machine-made paper, and matches. We failed to fulfill the planned targets for 11, including sewing machines, radio receivers, family washing machines, and porcelain articles for daily use.

We have improved the economic results of our industry, but have not brought about a radical change for the better to them. The total realized profits after deduction of losses in our industrial enterprises which were regarded as independent accounting units, amounted to 2,941 million yuan in 1983, an increase of 12.6 percent over 1982. The ratio of taxes and profits to output value was 7.3 and 12.3 percent respectively. The former ratio dropped by 0.9 percent while the latter rose by 0.4 percent. The number of enterprises that incurred losses decreased by 714 compared with the year before and the total amount of losses was reduced by 122 million yuan or 53.7 percent. The labor productivity of a laborer of full-attendance in our industrial enterprises owned by the whole people, which were independent accounting units, was 11,000 yuan, an increase of 7.8 percent over the year before. The turnover period of quoted floating capital

The output of major industrial products is as follows:

	<u>1983</u>	<u>Percentage of increase in 1983 over 1982</u>
Cotton yarn	222,500 metric tons	-2.1
Cloth	1,070,000,000 meters	-1.9
Synthetic fiber	13,000 metric tons	7.5
Wool fabric	2,658,700 meters	27.8
Gunny sacks	17,774,000	21.2
Beer	63,800 metric tons	48.4
Salt	1,989,000 metric tons	-15.5
Pharmaceuticals	2,733 metric tons	7.3
Synthetic detergent	17,300 metric tons	19.3
Light bulbs	46,625,000	13.4
Porcelain articles for daily use	314,000,000	-7.2
Cigarettes	593,000 cartons	-3.8
Machine-made paper and paper board	346,500 metric tons	16.3
Soap	18,800 metric tons	12.6
Matches	1,440,000 packs	2.5
Bicycles	1,116,300	4.0
Sewing machines	73,300	-59.4
Wristwatches	560,000	9.8
Television sets	123,600	-0.6
Radio receivers	305,400	46.1
Family washing machines	13,000	9.8
Motion-picture film (in terms [word indis- tinct])	89,980,000 meters	-14.1
including colored film	83,140,000 meters	-0.4
Coal	55,549,300 metric tons	3.8
Petroleum	10,553,400 metric tons	-6.7
Refined petroleum	1,031,000 metric tons	58.0
Natural gas	126,000,000 cubic meters	-14.6
Electric power	21,830,000,000 kilowatt hours	6.7
Pig iron	2,434,800 metric tons	10.8
Steel	2,146,300 metric tons	15.5
Rolled steel	1,587,900 metric tons	13.8
Coke	2,695,600 metric tons	9.7
Cement	6,447,300 metric tons	9.8
Plate glass	5,280,100 standard boxes	30.4
Sulphuric acid	536,500 metric tons	19.4
Caustic sodium	59,600 metric tons	10.8
Chemical fertilizer (in terms of effective element)	1,008,800 metric tons	1.2
Chemical pesticide	10,200 metric tons	20.0
Plastic	24,500 metric tons	17.8
Calcium carbide	128,300 metric tons	-3.5
Tires	328,800	43.5
Mining equipment	6,293.8 metric tons	40.8

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	<u>1983</u>	<u>Percentage of increase in 1983 over 1982</u>
Communications equipment	41,800 metric tons	21.9
Electric transformers	4,889,000 kilovolt-ampere	-1.4
Tractors	637	-58.9
Small tractors	36,700	79.9
Farming implements to tractors	10,400	67.2

was 6 days less than that in the year before. Of 59 major products produced by our key industrial enterprises, the quality indexes of 31 products improved, 16 were unchanged, and 12 worsened. Of the material consumption indexes for the production of 60 major products, those for 32 of them were improved, 9 were unchanged and 19 of them worsened. The total comparable costs of production in our industrial enterprises which are owned by the whole people and are independent accounting units rose by 1.2 percent over the year before, therefore, the region failed to fulfill the planned target for reducing annual production costs by 2 percent. Because some of the light and textile products were stock-piled, the amount of total closing stock of finished products in our industrial enterprises owned by the whole people was 2.4 percent greater than the opening stock.

### 3. Investment in Fixed Assets

In 1983, the investment in fixed assets in our units owned by the whole people totaled 4,233 million yuan and the investment in fixed assets in our urban and rural collective units totaled 632 million yuan. Our peasants and urban residents invested 1,475 million yuan in their housing construction.

In the investment in fixed assets in the units owned by the whole people, 2,683 million yuan was invested in capital construction. This was only 94.2 percent of the planned target for the year and was a 5.2 percent increase over the year before. Investment in local projects totaled 982 million yuan, which was 80.5 percent of the planned target for the year and 2.7 percent less than in 1982. The reduction was the result of the cessation and suspension of 174 local projects with a reduction of 37,250,000 yuan of investment. This caused the local capital construction investment, the funds for which were raised by local authorities themselves, to be 11.1 percent less than in the year before.

Of the funds invested in capital construction, 1,592 million yuan, 59.3 percent of the total amount, was investment of a production nature while 1.091 million yuan, 40.7 percent of the total, was nonproduction investment. Investment in housing construction amounted to 593 million yuan, 22.1 percent of the total investment in capital construction.

As the capital construction funds were employed in a relatively centralized manner, we ensured the construction of the state's key construction projects. Investment in capital construction projects of the central authorities amounted to 1,701 million yuan, which was 107.3 percent of the planned target and was an increase of 10.5 percent over the year before. Actual investment in 32 large and medium projects amounted to 1,265 million yuan, which was 99.4 percent of the planned target for the year. Actual investment in agriculture, energy, communications, science, and education totaled 1.5 billion yuan, 15.7 percent more than in 1982. Agricultural investment amounted to 264 million yuan, an increase of 56.2 percent over the year before. As a result, the proportion of agricultural investment in the province's capital construction investment rose from 6.6 percent in 1982 to 9.8 percent in 1983. Investment in energy projects amounted to 789 million yuan, which was 5.6 percent more than in 1982 and which accounted for 29.4 percent—a slightly higher percentage than in 1982—of the province's capital construction investment. Investment in science and education amounted to 146 million yuan, an increase of 28.1 percent over the year before, thus the proportion of investment in science and education of the province's total capital construction investment rose from 4.5 to 5.5 percent.

Of the seven large and medium construction projects that the state required be completed in 1983, 100,000-kilowatt capacity No 9 generator at Xiahuayuan power plant and the 200,000-kilowatt capacity No 7 generator at Matou power plant were installed and put into operation; the Jidong cement plant, with a capacity of 1.55 million metric tons of cement a year, and the Tangshan porcelain plant, with an annual capacity of 300,000 square meters of glazed tiles, were also completed and put into trial production; some projects in the Tangshan salt chemical plant and Xingtai metallurgical plant were also completed and put into operation; and the water supply project in Handan city was basically completed. As for the five individual projects that were required to be put into operation within 1983, four were completed and put into operation including the 200,000-kilowatt capacity No 5 generator at Douhe power plant, the 4-million-ton coal washery at Fangezhuang, in the Kailuan coal mining area; the project at the Xinsheng saltworks at Nanbao (a project to add 50,000 metric tons of capacity to the province); and the first phase of the coal dock at Qinghuangdao port with a handling capacity of 10 million metric tons. The Dongpang mine in the Xingtai mining area was also transferred to a production unit. However, we should continue to carry out and complete some projects that are developed to form complete sets together with other projects.

The major production capacities and facilities that were newly added to the units owned by the whole people through capital construction were: 1.8 million metric tons of coal mining capacity, 4 million metric tons of coal washing capacity, capacity for refining 800,000 metric tons of petroleum, 501,000 kilowatts of generator capacity, 414 kilometers of power transmission lines (the voltage of which was at or above 110,000 volts), 271,500 kilovolt-amperes of power substations (the voltage of which was at or above 110,000 volts), capacity for producing 105,000 metric tons of cement, 25,000 cotton spindles, 600 looms, port handling capacity of 10 million metric tons, 43.1 kilometers of highway, commercial cold storage capacity of 6,100 metric tons, 90 commercial and

catering centers with a total service area of 72,725 square meters, higher education facilities for 6,370 additional students, secondary school facilities for 37,610 additional students, primary school facilities for 21,523 pupils and 4,252 hospital beds.

The economic results of our capital construction investment increased. In 1983, the newly added fixed assets amounted to 2,964 million yuan in all and the ratio of the funds invested in fixed assets to the value of new fixed assets in use rose from 69.2 percent in 1982 to 110.5 percent in 1983. We completed the construction of 6.78 million square meters of housing and the ratio of housing starts to housing completions rose from 49.3 percent in 1982 to 53.1 percent in 1983.

In 1983, we strengthened our efforts to carry out technological transformation in our existing enterprises. The actual investment in the transformation and renewal of units owned by the whole people totaled 1.55 billion yuan, 12.7 percent more than in 1982.<sup>2</sup> Of this amount, 298 million yuan or 19.2 percent, greater than the 1982 figure of 16.1 percent, was invested in light industry, while 1,116 million yuan or 72 percent, smaller than the 1982 figure of 73.4 percent, was invested in heavy industry. In the total amount invested in renewal and technological transformation, 609 million yuan or 39.3 percent, greater than the 1982 figure of 36.8 percent was invested in renewal of equipment and 899 million yuan or 58 percent, smaller than the 1982 figure of 59.6 percent was invested in new construction projects or extension projects.

We have also scored certain achievements in our geological work. In 1983, the sector under the Bureau of Geology achieved 111,500 meters of drilling footage, which was 106 percent of the planned target for the year and was 14,400 meters more than that in 1982. The newly-probed reserves of iron, phosphorus, fluorite and cement limestone all exceeded the planned targets for the year. In that year, eight new mining areas were discovered and three medium-sized mining areas were transferred to the state.

#### 4. Communications and Posts and Telecommunications

In 1983, the volume of freight transport fulfilled by the state railway departments inside our province totaled 79,839 million ton-kilometers, up 9.5 percent and that of passenger transport fulfilled by them totaled 16,224 person-kilometers, up 14.6 percent. The volume of cargo handled by Qinghuangdao Port totaled 30,574,000 tons, up 6.5 percent.

The volume of freight transport by all the local means of transport totaled 5,075 million ton-kilometers, up by 2.8 percent. That of local railway departments totaled 103 million ton-kilometers, up 8.4 percent, that of road freight transport totaled 33.26 million ton-kilometers, up by 20.7 percent and that of waterway transport totaled 1,646 million ton-kilometers, up 47.9 percent.

2. The investment in technological transformation includes the expenditure incurred in the maintenance of our oilfields and mines and technological transformation projects which cost 20,000-50,000 (less than 50,000) yuan each.

The volume of passenger transport by all local means of transport totaled 4,029 million person-kilometers, an increase of 14.1 percent. That of road passenger transport totaled 3,998 million person-kilometers, 14.2 percent more than in 1982.

In 1983, the province's postal and telecommunications transactions amounted to 100 million yuan in all, up by 6.2 percent over 1982. Included in these transactions were 160 million letters, a drop of 0.9 percent; 4.26 million parcels, up 6.8 percent; 15.27 million long-distance telephone calls, up 6.3 percent; 7.39 million telegrams, up 10.2 percent; and mailings of 910 million copies of newspapers and journals.

The economic results of the communications and postal and telecommunications sectors were relatively satisfactory. In 1983, the per ton-kilometer cost calculated at comparable index in Shijiazhuang Railway Subbureau dropped by 6.5 percent compared with 1982, and the subbureau's total profits for the year rose by 24.4 percent over 1982. The per ton-kilometer cost of road freight transport was 4.2 percent less than that in 1982 and the average profit earned by each vehicle rose by 41.2 percent over 1982. The realized profits of our postal and telecommunications enterprises rose by 33.6 percent over 1982.

#### 5. Domestic Commerce

Both sales and purchases were prosperous in our urban market. In 1983, purchases of the state-run commerce and the commerce run by supply and marketing cooperatives totaled 11,458 million yuan, a rise of 21 percent over 1982. Included in this was 6,015 million yuan of the total purchases of agricultural and sideline products, which was 41.4 percent greater than the figure for 1982 and set a new record. Also included in it was 5,340 million yuan of purchases of industrial products, an increase of 4.4 percent. The quantities of purchases of major commodities were as follows: Grain totaled 7,964 million jin, up by 25.7 percent over 1982; cotton totaled 1,418 million jin (calculated in terms of the calendar year), 89.6 percent more than the record figure of 1982. The total purchases of edible vegetable oil fell by 1.5 percent, that of pigs, cattle, and sheep fell by 7.5 percent; that of eggs rose by 3.4 percent; that of cotton cloth fell by 27.4 percent; that of blended fabrics and synthetic fabrics rose by 10.3 percent; purchases of bicycles rose by 4.9 percent; television sets rose by 52.3 percent; wristwatches rose by 90.6 percent; and purchases of sewing machines dropped by 36.8 percent.

Total retail sales of social commodities (the retail sales by peasants to nonagricultural residents not included) amounted to 13,419 million yuan, up by 14 percent over the year before. If this percentage was readjusted in the light of the rise in retail prices, the actual increase was 12.4 percent. Included in this was 10,504 million yuan retail sales by the commercial sector owned by the whole people, an increase of 7 percent over 1982; 1,405 million yuan retail sales by the collective commercial sector, an increase of 20.8 percent over 1982; and 1,511 million yuan retail sales by the commercial sector of individual trades, an increase of 90.8 percent. As for percentages

of the volume of retail sales of these sectors of the total volume of retail sales, that of the sector owned by the whole people dropped from 83.4 percent in 1982 to 78.3 percent in 1983, that of the collective sector rose from 9.9 percent in 1982 to 10.5 percent in 1983, and that of the individual sector rose from 6.7 percent in 1982 to 11.3 percent in 1983. As for the sales of major consumer goods: grain sales rose by 17.5 percent; edible vegetable oil sales rose by 14.5 percent; pork, beef, and mutton sales rose by 1.1 percent; eggs fell by 9 percent; sugar rose by 22.9 percent; cotton fabric dropped by 13 percent; blended and synthetic fabrics rose by 18.4 percent; television sets rose by 2.3 percent; and bicycle sales rose by 21.1 percent.

In 1983, the number of retail commercial and catering service units throughout the province totaled 393,800, up by 110,000 over 1982 and these units had a total work force of 878,900 people, 101,700 more than in 1982. This increase was mainly caused by the rapid development of the individual economy. There were 1,902 agricultural trade fairs throughout the province and their turnovers totaled 1,742 million yuan, up by 32.1 percent over the year before. Included in this was a 45.8 percent increase in the total turnover of urban agricultural trade fairs and a 30.3 percent increase in the rural agricultural trade fairs.

The prices of some commodities rose in 1983, though those of most commodities were stable. The index of the list purchase prices of agricultural and sideline products rose by 1 percent over 1982, but because of the increase in the purchases of commodities at negotiated prices and payment of premiums for above-quota purchases, the overall index of purchase prices of agricultural and sideline products rose by 7.9 percent over the year before. The social retail price index rose by 1.4 percent over 1982, including a rise of 1.8 percent in urban areas and 1.1 percent in rural areas. The price index calculated in terms of the living expenses of our staff members and workers rose by 2 percent, the retail price index of consumer goods rose by 1.8 percent, the service price index rose by 3.7 percent. As for the list retail prices of various kinds of consumer goods, the price index of food rose by 1.4 percent while the price index of nongrain foodstuffs rose relatively sharply, for example, the prices of fresh fruits and vegetables rose by 18.6 and 10.1 percent respectively. The price index of cultural goods dropped by 1.8 percent, that of medicine rose by 3.4 percent, that of fuel rose by 0.2 percent, that of clothing fell by 0.1 percent and that of daily use articles dropped by 0.8 percent.

In 1983, the average sales of a staff member in our state-run commercial enterprises and supply and marketing cooperatives rose by 5.2 percent over 1982. The net profits of these enterprises rose by 44.4 percent, where the number of enterprises that incurred losses dropped from 1,852 in 1982 to 939 in 1983. The amount of losses they incurred dropped by 37 percent. The turnover period for floating funds in these enterprises was shortened by 1 day compared with 1982. The level of commodity circulation expense rose by 0.17 percent over 1982.

In 1983, sales of most of the means of production under the state's centralized control were greater than those in 1982. The sales of rolled steel rose by 6.1 percent, that of coal rose by 18.1 percent; that of caustic soda dropped by 5.2 percent, that of cement rose by 13 percent, that of plate glass rose by 10.1 percent, and that of timber remained unchanged. The rate of circulation expense in our material and goods department rose by 0.1 percent over 1982.

## 6. Foreign Trade and Tourism

The province's exports totaled 1,599 million yuan, which was 4.2 percent in excess of the planned target for the year and 0.9 percent more than in 1982. After readjustment for inflation and the fluctuation of the rate of foreign exchange, the rate of increase was 11.5 percent. The province's purchase of commodities for exports totaled 1,937 million yuan, which was 118.6 percent of the planned target for the year and 5.6 percent more than in 1982.

In 1983, our tourist sector served 20,304 tourists, including foreigners, overseas Chinese, and Hong Kong and Macao compatriots from 25 countries and regions, up by 11.4 percent over 1982. Total foreign exchange earnings for this sector for the year amounted to 2.48 million, 6.1 percent less than that in 1982.

## 7. Science, Education, Culture

In 1983, the number of natural scientific and technological workers in our local units owned by the whole people totaled 261,900, up by 9 percent. Throughout the province 430 major scientific and technological achievements of the above provincial standard were scored and 32 reached the advanced level at home. National invention awards were granted for the development of a high-temperature highly-radiant far-infrared coating (sg-799) and an automatic warping machine. Ministerial and provincial awards were granted for 167 scientific and technological achievements. Of these, the new species of flax--Baya No 3--and the No 6021 second-grade emulsified dynamite reached international standards and were granted first-grade provincial awards. The number of scientific and technological achievements whose applications we have already popularized totaled 121. According to the statistics collected for 81 items, 171 million yuan in economic results were achieved. The work of social scientific research also made progress.

In 1983, the number of students recruited into the higher education institutes (including their branch institutes, the higher education training courses, and the vocational higher education institutes) throughout our province totaled 14,500, an increase of 3,200 over the year before. The number of students studying in these institutes totaled 41,900, also an increase of 3,200. Adult higher education (including that provided by television universities, evening universities, correspondence universities, staff members and workers universities, and management cadres institutes) developed relatively quickly. The number of students studying there totaled 34,000, up by 57.4 percent over 1982.

The number of students studying in secondary technical schools totaled 60,300--13,000 more than that in 1982. Students studying in vocational and agricultural secondary schools totaled 53,600, up by 33,100 over the year before. There were 2,421,100 students studying in ordinary secondary schools, 122,300 less than in 1982. Included in this was a drop of 13,500 in urban areas and 135,800 in rural areas. The number of students studying in primary schools totaled 6,541,000, 465,100 less than in 1982.

In 1982, throughout the province there were 9,958 film projection units of various kinds, 195 organizations for artistic performances, 495 cinemas and theaters, 164 cultural clubs, 93 public libraries, and 16 museums. In our province, there are in all four medium-wave radio broadcasting stations, one frequency modulation broadcasting station, and two television broadcasting stations. The number of copies of newspapers published in the year totaled 379 million, that of various kinds of magazines totaled 11.1 million, and that of books totaled 216 million.

#### 8. Public Health and Sports

At the end of 1983, there were 10,281 public health institutions throughout the province, up by 54 over 1982. The number of sanatorium and hospital beds totaled 107,100, 5.2 percent more than at the end of 1982. The number of medical technical workers totaled 148,500, up by 3.7 percent over 1982. This included 69,400 doctors, up by 3.7 percent, and 24,100 male and female nurses, up by 3.9 percent. We have strengthened our patriotic sanitation movement and our work to prevent diseases.

At the end of 1983, there were a total of 15,427 sports grounds of various kinds in our province, including 2 gymnasiums, 10 stadiums and 13,351 various kinds of ball fields. Our province's sportsmen won eight first places in national competitions, and broke four national records. Over the entire province, 1.91 million people satisfied the requirements of the "national physical training standard," and mass sports activities were carried out widely.

#### 9. People's Livelihood

As the national economy developed, the livelihood of our urban and rural people continued to improve. In 1983, 232,000 jobs were provided to urban job-awaiting youths, other people, and the year's graduates from higher education institutes, secondary technical schools, and vocational schools, the graduates of which are employed according to the centralized placement by the state. At the end of 1983, the number of staff members and workers in our state-owned and urban collective units totaled 5,071,700, a fall of 1.1 percent over that in 1982. Their total wages amounted to 4,026 million yuan, up by 3.6 percent over 1982. The average annual wage for each staff member or worker was 796 yuan, up by 3 percent over 1982. According to a sample survey of the income and expenditures of 720 staff member and worker families in nine cities, the per capita average monthly income of families of our urban staff members and workers was 39.93 yuan, an increase of 1.4 yuan or 3.6 percent over 1982. After adjustments for the rise in the living expense index for staff members and workers, the real increase was 1.6 percent. According to a sample survey of the incomes and expenditures of 1,418 peasant families, their per capita annual net income was 298.1 yuan, an increase of 59.4 yuan or 24.9 percent over 1982.

The number of high-grade family electrical appliances possessed by the families of our urban staff members and workers increased relatively quickly. On average, in 100 families, there were 20 washing machines, up by 12 over the year before; 18 audio recorders, up by 5; 39 electric fans, up by 6; and 81 television sets, up by 10. On average, in 100 peasant families, there were 107 bicycles, up by 14 over 1982; 57 sewing machines, up by 7; and 82 wristwatches, up by 23; and the number of their television sets doubled.

In 1983, the housing built by state-run and urban collective units and urban people totaled 5.2 million square meters. That built by rural collectives and peasants totaled 36.2 million square meters.

The bank deposit balances of our urban and rural residents at the end of 1983 totaled 5,748 million yuan, up by 43 percent compared with that at the end of 1982. This included 2,815 million yuan in total deposits by urban people, up by 34.4 percent; and 2,933 million yuan for rural people, up by 51.8 percent.

We continued to strengthen our work related to social welfare. In 1983, the rural collective economy subsidized the lives of 71,200 orphans, lonely old people, disabled people, and infants. The number of rural old folks' homes rose to 995, a rise of 25 percent over 1982 and the number of people cared for by them totaled 11,000, an increase of 26.6 percent. In urban areas, there were 18 social welfare institutes, which cared for 888 people.

#### 10. Population

At the end of 1983, the province's population totaled 54,202,300 people, up by 639,700 over the end of 1982. This included 27,771,400 males, which constituted 51.2 percent of the total population; and 26,430,900 females, or 48.8 percent of the total population. Of the total population, 47,279,000 or 87.2 percent were rural and 6,923,300 or 12.8 percent were urban.

CSO: 4006/576

## ECONOMIC MANAGEMENT

### NINGXIA STIPULATIONS ON RELAXING ECONOMIC POLICY

HK080527 Yinchuan NINGXIA RIBAO in Chinese 11 May 84 p 1

[Report: "The Provisional Stipulations on More Relaxed Economic Policy To Enliven the Economy Promulgated by the CPC Committee and Government of the Ningxia Hui Nationality Autonomous Region"]

[Text] In accordance with the spirit of relevant directives of the CPC Central Committee and the State Council, the CPC committee and government of the Ningxia Hui Nationality Autonomous Region have formulated the following provisional stipulations on relaxing the economic policy in relation to the state-run enterprises in the region, with a view to further rejuvenating the economy and earnestly implementing the directive of Comrade Hu Yaobang on giving highest priority to bringing about an upswing in Ningxia's economy:

#### I. Reform the System of Bonuses

1. The bonuses of state-run enterprises must be linked with the fulfillment by enterprises of state plans, and the amount of profits and taxes (income tax) handed over by enterprises to the state that same year and the amount of bonuses must correspond to that of profits and taxes delivered to the state. Also, efforts should be made not to impose either a ceiling or a floor on the distribution of bonuses. Those enterprises which have fulfilled state plans and handed over more taxes and profits to the state than in the previous year are entitled to receive more bonuses than usual, but as for those which have failed to fulfill state plans and have delivered less taxes and profits than in the previous year, smaller or even no bonuses should be distributed among them. Moreover, some deduction of basic wages should be made accordingly. In the future, the leadership of the state over enterprises is to be manifested mainly in controlling the amount of total wages (including bonuses). As far as enterprises under the jurisdiction of the prefectural authorities are concerned, the responsible departments or bureaus are charged with appraising and deciding the ratios for the use of various funds retained by enterprises from profit sharing in view of the fulfillment by enterprises of state plans and their delivery of profits and taxes to the state. Subsequently, they should report to the departments of finance and labor and personnel for the record. The bonuses distributed are covered by enterprises by using the funds which are retained by enterprises from profit sharing for rewarding staff members and workers, and the principle of retaining first and using second should be adhered

to in this respect. The funds earmarked for developing production and trial-manufacturing new products, and the welfare fund for staff members and workers, as well as reserve funds, are not to be diverted for the purpose of distributing bonuses. The city and county authorities are empowered to work out independently the methods by which the enterprises under their jurisdiction retain profits to be used as bonuses in line with the above-mentioned principle.

In distributing bonuses, enterprises are allowed to use in advance 90 percent of the norm of verified bonuses and in the light of their year-end delivery of profits and taxes to the state, the portion of bonuses distributed in excess of the fixed quota should be returned and that which falls short of the fixed quota should be compensated for. In order to control the excessively rapid growth of consumption funds, after removing the ceiling for the distribution of bonuses, it is necessary to levy taxes on bonuses in accordance with the stipulations described in the "Circular on Questions Relating to the Distribution of Bonuses Among State-run Enterprises" issued by the State Council.

The above-mentioned methods should be implemented first in the mining, transport, and building industries, and in other industries, the methods should be carried out in those enterprises whose leading bodies are strong and whose production is normal and in which a relatively perfect economic responsibility system is being implemented in a selective manner and on a trial basis (the names of enterprises involved in this experimental work are attached at the end of these Provisional Stipulations), and these methods are to be implemented in an overall way when the second phase of substituting delivery of profits with payment of taxes has been introduced.

2. As for the bonuses of enterprises earning meager profits or enterprises which suffer losses, the departments in charge of these enterprises are responsible for appraising and deciding the bonus limits of these enterprises in light of the amount of their retained profits or their losses.

3. Collective units or individuals are allowed to contract for or rent small enterprises requiring primarily manual labor and service trades (clothing, repairing, and catering trades, inns, barbershops, and public bathhouses). After handing over the fixed amount of output originally agreed upon to the state in the form of taxes and reserving the full amount to be used as funds for enterprises to develop production and for their welfare fund, enterprises are entitled to retain and dispose of whatever surplus there may be.

4. Enterprises are encouraged to conserve raw and semi-finished materials. With the exception of the 10 specially designated raw and semi-finished materials and fuels from which money can be drawn as bonuses which are then used to encourage the sparing use of raw and semi-finished materials and fuels and included in production costs as stipulated by the state, the departments responsible for various enterprises are allowed to appraise and decide the ratios for retaining profits as bonuses in accordance with the value of the other materials saved, and outside the originally fixed quota of bonuses, this amount of profits retained as bonuses is to be covered by using the retained profits of enterprises.

5. As for the distribution of bonuses among staff members and workers, it is necessary to make a strict assessment of their work performance and a distinction between the industrious and the indolent in accordance with the economic responsibility system and to avoid going in for egalitarianism. The spirit of encouraging the advanced, rewarding the industrious, and penalizing the indolent and of more pay for more work and giving awards to those who have worked in excess of fixed quotas should be displayed.

## II. Conduct Reform in Wages

1. When conducting wage adjustment among staff members and workers in 1983, all enterprises introduced the floating-wage system in line with the stipulations of the (1983) Document No 65 of the State Council. After having their wages floated for 2 years, the staff members and workers who have done well in their work are to be given fixed wages.

2. As for the enterprise which has been consolidated in an overall way and passed an acceptance test, while it has fulfilled state plans in an overall way and handed over more taxes and profits to the state, its factory director has the right to promote to a higher position 1 percent of the total number of staff members and workers, and the remaining percentage can be accumulated for further use if no full percentage is achieved that same year as stipulated in the "Provisional Regulations Concerning Directors of State-run Factories." The rewarding and promotion of cadres at the factory level should be examined and approved within the limits of authority of cadre administration and through discussion by the factory staff members and workers congress concerned.

3. As far as the factory director (manager) and party secretary of the enterprise which has attained good economic results are concerned, the departments responsible for the enterprise are allowed to draw a certain amount of money they have retained from profit sharing and give that money to such people as rewards at one time, or they are allowed to receive a probationary salary increase, and if the factory and party secretary overfulfill production tasks for 3 years in succession, they will then be given a fixed increase.

4. Enterprises are allowed to use a certain portion of the standard wages of staff members and workers as floating wages or use this fixed portion of standard wages plus a certain amount of bonuses as floating wages, and they are also allowed to distribute fewer bonuses and to use this retained portion of bonuses as probationary salary increases among some staff members and workers, or they are encouraged to carry out reform in wages at their own expense. The sum of money derived from bonuses and used as wages is to be covered by enterprises themselves and it should not be included in production costs or other expenses.

5. As for the industries which require great intensity of labor and tremendous efforts, such as mining, building, and transport, the existing above-quota piece-wage system is allowed to be changed into such forms as the full piece-wage system in the light of actual conditions and after being approved by the departments responsible for various enterprises. The portion in excess of the

total amount of basic wages should be covered by enterprises by using their retained profits (as for the enterprises which are practicing the reward system under which rewards are given according to the amount per ton of coal saved, the portion should be covered by the enterprises by using the reward fund under the system).

### III. Reform the Administrative Methods of Profit Sharing in Financial Affairs and of Subsidizing Losing Enterprises

1. After the departments responsible for various enterprises have fulfilled the task of handing over the profits (including income tax) for the year to the state, the financial departments should adopt different methods of sharing that portion of profits in excess of fixed quotas in the light of different trades, and return 20 percent of the portion of profits handed over by the light and textile industrial department to the state in excess of fixed quotas to the light and textile industrial department, and 10 percent of the portion of profits handed over by the industrial and communications units to the state in excess of fixed quotas to those units.
2. The fixed amount of losses are to be shared by the coal industry and enterprises in a ratio of 30:70, and of the 30 percent of losses shared by the financial departments, 10 percent should go to the departments responsible for the work. The fixed amount of losses are to be shared between the departments of light and textile industries and of heavy industry and enterprises in a ratio of 60:40, and of the 60 percent of losses shared by the financial departments, 30 percent should go to the departments responsible for the work.
3. In commerce, the method of giving a fixed amount of subsidies according to losses per unit is to be carried out in food (meat, poultry, and eggs) enterprises, in which no ceiling is imposed on total losses and the portion in excess of the limits of losses is not to be made up for but the portion of reduced losses is allowed to be shared out. The method of giving subsidies according to losses per unit is to be adopted in the grain industry, in which a limit is imposed on total losses, the portion of reduced losses is allowed to be shared out but the portion in excess of the limits of losses is not to be made up for, and the power to tighten financial control in grain is delegated to the city and county authorities.

### IV. Reform the Personnel and Cadre Administration Systems

1. The departments in charge of various enterprises are authorized to appoint or dismiss the factory director (manager) and party secretary of an enterprise, and the deputy factory directors (deputy managers), chief engineering and chief accountant are to be nominated by the factory director and appointed by the departments in charge of various enterprises through assessment and after examination and discussion by the factory party committee. The cadres of enterprises at the prefectural and divisional levels are to be appointed or

dismissed by the regional CPC committee and the cadres of enterprises at the county and regimental levels under the jurisdiction of the prefectural and city authorities are to be appointed or dismissed by the prefectural and city CPC committees. In appointing cadres, it is necessary to adhere to the requirements of the "four transformations" of cadres (namely, cadres becoming more revolutionary, younger in average age, and more knowledgeable and specialized) and to act in accordance with policies. Outstanding intellectual cadres who can constantly open up new prospects in work should be promoted and used in defiance of rules, and those cadres who are not qualified to do their work should be promptly transferred or relieved of their posts. The appointment and dismissal of the middle-ranking office and workshop cadres and other cadres in an enterprise is to be made by the factory director of the enterprise. The middle-ranking cadres of enterprises must be prepared to be cadres or workers and to work both at the top or at the grassroots (without changing their previous status). A factory director is authorized to transfer, to appoint or dismiss, to promote or demote, and to reward or penalize his staff members and workers, and he has the right to promote the staff members and workers who have done their work exceptionally well and made special contributions and to punish and even to discharge the staff members and workers who have violated discipline.

2. The fixed number of staff members and workers of an enterprise is to be approved by the departments in charge of various enterprises and the enterprise is allowed to set up its own administrative organizations in the light of its actual conditions. The labor and personnel departments should give back no less than one-third of the natural depletion targets of the mining, building, transport, and geological enterprises to the latter in accordance with their plans for using personnel so that they can arrange and use them independently.

#### V. Extend the Decisionmaking Power of Enterprises in Production and Operation

1. Enterprises are allowed, on condition that they have fulfilled state production plans, to independently arrange some production according to market demands and are authorized to market through their own channels the products in excess of state plans (including products in great demand). Enterprises are allowed to exchange their products for any shortfall in the planned supply of raw and semi-finished materials. After getting the approval of the pricing departments, enterprises are entitled to sell the products they produced by using the raw and semi-finished materials they had organized independently at prices consistent with the purchase prices of the raw and semi-finished materials they bought for this purpose.

2. On the premise that the nature of the system of ownership by the whole people and the number of staff members and workers fixed by the state are not changed, small state-run enterprises are allowed to be operated in ways in which collective enterprises are run, that is, that have to pay taxes to the state and assume sole responsibility for their own profits and losses. They are allowed to decide such matters as the mode of operation, the distribution of wages, and production lines by themselves.

## VI. Help Sustain the Development of Local Industries

1. On condition that the quality and prices of products are the same, the commercial departments must give priority to the purchase and marketing of local industrial products. As for the loans borrowed by the commercial units which trade in local industrial products (such as cotton cloth, cigarettes, granulated sugar, soap, and detergent) to cover their excessive reserves, the financial departments are asked to give them subsidies in interest form within a time limit.

## VII. [no title]

All scientific research, literature and art, and public health institutions and establishments must vigorously introduce the economic responsibility system on a trial basis, abolish the practice of the state handling their operating expenses or making up the balance of operating expenses in subsidy form, and gradually manage to assume sole responsibility for their own profits and losses. Of the net earnings of these establishments, a small part should be handed over to the financial departments and the departments responsible for the work and the remaining greater part should go to the establishments. After approval by the departments responsible for the work, the establishments are allowed to use the retained earnings by themselves. The departments responsible for the work and financial departments are responsible for deciding through consultation the use of the net earnings of experimental units.

/Note/ [passages within slantlines published in boldface]

/Names of enterprises involved in the experiment of linking up bonuses with the amount of taxes and profits handed over to the state/

The Department of Heavy Industry: Changcheng machine tool plant, Dahe machine tool plant, Wuzhong materials plant, Xibei bearing plant, Yinhe instrument and meter plant, Wuzhong instrument and meter plant, Shizuishan steelworks, Yinchuan crane plant, and Qingshan experimental machine-building plant.

The Bureau of Petrochemistry: Yinchuan rubber plant, Yinchuan chemical fertilizer plant and Yinchuan Nitrogenous fertilizer plant.

The Department of Light and Textile Industry: Lingnu knitting wool mill, Yinchuan woolen mill, Yinchuan woolen mill No 2, and Qingtongxia paper mill.

The Coal Department: Xibei general coal machine-building plant.

Farm Reclamation: Yinchuan sugar refinery.

The Bureau of Medicine: Ningxia pharmaceutical factory.

The Bureau of Building Materials: Qingtongxia cement plant.

The Department of Communications: Yinchuan motor vehicle transport company.

The Department of Commerce: Local products and fruit companies, hardware companies, department stores, and storage and transport companies.

Enterprises run by the prefectural, city, and county authorities are allowed to make their own arrangements.

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## ECONOMIC MANAGEMENT

### MARX'S THEORY OF AVERAGE PROFITS DISCUSSED

Tianjin TIANJIN RIBAO in Chinese 24 Jan 84 p 1

[Column by Zhang Jiang [1728 3068]: "Summary of Questions and Answers on the Independent Study of Philosophy, Politics and Economics"]

[Excerpt] 11. How does an average profit rate take shape? What is the revolutionary significance of Marx's theory of average profits?

In capitalist society, different sectors have different profit rates due to different levels of their organic components. In order to gain more profits, capitalists try every means to invest their capital in sectors where profit rates are higher. This causes capital to flow from one sector to another, commodity prices to fluctuate constantly and profit rates to differ in different sectors. This situation will become temporarily stabilized when the profit rates of all sectors become equal, forming an average profit rate. Profits calculated according to the average profit rate are called average profits--an inevitable outcome of the competition among different sectors.

Marx's theory of average profits has an important revolutionary significance:

First, the theory tells us that capitalists create the average profit by redistributing the surplus value created by workers. Workers are exploited not only by capitalists within their enterprises but also by the entire capitalist class.

Second, whereas in the course of dividing the surplus value capitalists experience acute contradictions and struggles, on the issue of exploiting the surplus value, their interests are identical. Therefore, when dealing with the working class, they will collude with each other and form a counterrevolutionary united front.

Third, since the capitalist class is united to deal with the working class, workers cannot fundamentally change their situation only by opposing individual capitalists. They must unite and overthrow the capitalist system by waging class struggle. This is the only way to set themselves free.

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## ECONOMIC MANAGEMENT

### STATE ECONOMIC COMMISSION STRESSES TECHNOLOGICAL ADVANCEMENT

Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 1, 5 Jan 84 pp 6-8

[Article by Zhu Rongji [2612 6954 1015], Deputy Director of State Economic Commission: "Further Initiate New conditions in Technological Advancement"]

[Text] The series of instructions of leading comrades of the Party Central Committee and the State Council on relying on technological advancement to revitalize the economy is the summary of over 30 years of experience in China's socialist construction and is a major policy decision to realize the glorious goal of quadrupling the gross annual value of industrial and agricultural output by the year 2000.

In 1983 the State Economic Commission together with all departments and areas have intensified the work in technological transformation, introducing technology and technological development; implemented some policies and measures to encourage technological advancement; and summed up the experience in stressing technological advancement in an integrated manner. This has played an active role in promoting technological advancement and the major initial achievements are as follows:

Technological advancement has been strengthened. In 1983 the State Economic Commission organized and drew up the trial-manufacturing plan for 200 new products, succeeding in many types of energy-saving machinery and electronic products as well as new light industrial and textile products; implemented 22 whole and 2 half key scientific and technical projects organized and coordinated by the State Economic Commission; arranged for the assimilation, trial-manufacturing and testing of 150 projects of imported unit equipment and production lines; and arranged 40 key projects in popularizing scientific and technical achievements.

Tangible progress has been made in introducing technology to transform existing enterprises. The State Economic Commission and the Ministry of Economic Relations and Trade with Foreign Countries have approved 1,000 projects in development with foreign countries. In the months of January through September contracts for 350 projects were signed and concluded. More than 600 projects were estimated to be concluded for the whole year (about 100 projects in 1982) with a total value of US\$ 700 million. Shanghai and Tianjin Municipalities have obtained tangible results in introducing technology, expanding rights and pilot projects.

The economic benefits of projects of technological transformation have increased. The general scale of measures completed last year was estimated at 26,000,000,000 yuan. Of this the proportion used for increasing the variety and quality has increased while that used for capital construction as well as non-production construction has decreased.

The nationwide movement to develop high quality products has grown. Almost 150 products have received the state award for good quality and a group of nationally advanced enterprises in quality control has emerged.

Revision and formulation of state standards have been speeded up. In 1983 over 1,000 state standards were revised and formulated. The Ministry of Machine-building Industry has actively adopted international standards and formulated advanced standards for products and it is estimated that over 600 different standards will be completed in the entire year.

A third of the first group of 1,800 key reorganized enterprises in the country have already been checked, accepted and qualified in their metrological reorganization and over 100 metrologically advanced enterprises have appeared.

The above tasks have barely begun and there are still many problems. For example, most departments and areas have not yet worked out plans for technological transformation in their professions. Their key projects are not outstanding, their funds are dispersed and their benefits are unclear. They also lack a set of economic policies and a system of awards and penalties to encourage and foster technological advancement and to restrict or eliminate outmoded products and technology. The task remains arduous and requires that we continue to exert our effort in 1984 to do a good job.

We must make improving the quality of products (including the development of new products) and reducing the consumption of energy and raw materials as our goals in 1984. On the basis of doing a good job in reorganizing enterprises we must intensify technological development (including tackling key problems in technology and the popularization of new technology), stress technological transformation (including the updating of equipment), speed up the introduction of technology (including assimilation), popularize technical management (including management of quality, energy conservation, standards and measurements) and launch campaigns in technical reform and cooperation that have a mass character.

(1) There must be new breakthroughs in technological development.

For the technological development fund of 400,000,000 yuan arranged by the State Economic Commission in 1984, it is intended that resources will be concentrated on arranging the development of 50 new products, demanding that some of the projects will make achievements in 1984 and 1985. For the projects of popularizing new technology, we will continue to stress the popularization of the 40 key scientific and technical achievements, increase their use in the civilian from the military sector and the assimilation of technology introduced.

In 1984, it is planned to set aside 300 million yuan for key scientific and technical projects, seeking partial or final results in 30 topics.

For 11 sets of major large-scale sets of equipment, we must complete early stage preparations, set up feasibility studies and submit proposals.

(2) Stress economic benefits in technological transformation.

The total fund for improvement and transformation in 1984 has been set at 29 billion yuan, an increase of 3 billion over the 1983 (estimated) 26 billion yuan. Of this 2.41 billion are allocated by the state (including 200 million yuan for the transformation of small coal pits), 8 billion yuan are from various loans, and 18.59 million yuan are arranged by local areas, departments and enterprises from their own funds.

In accordance with plans for trades and professions, technological transformation in 1984 must proceed from the overall national economy. We must selectively arrange for the best group of key projects with low investment, quick results and high economic benefits, particularly key enterprises that concern the overall situation. In engineering and electronic industry, we must use 75 percent of state allocated fund on 550 projects. All trades and areas must do as engineering and electronic trades by concentrating their funds and arranging a group of key projects.

(3) Continue to quicken the pace of introducing technology.

In the introduction of technology, 1983 was a year in which the foundation was laid, preparations were made and conditions initiated. We must quicken the pace in 1984. Under the guidance of trade plans, we must earnestly do a good job in the former phase of preparation of projects, intensify market investigation and research, information and consultation, and prevent unnecessary duplication in introducing technology. Based on the guiding ideology, we must clearly and primarily introduce software technology. We must persist in combining technology and trade and combining industry and trade, adopt a variety of forms (including cooperative production, permit trade, consultation and the introduction of qualified people), broaden the avenues of introducing technology and make it possible to compare before selection. At the same time, we must fully consider the assimilation of technology introduced so that progress will be made in introducing technology in 1984.

(4) Vigorously popularize full-scale quality control.

In 1984 we must stress the popularization of full-scale quality control as a major matter. We must treat products as the key and vigorously stress full-scale quality control according to the system engineering method and like the reorganization of enterprises.

In the appraisal of good quality products by the state, we must conduct overall summary, reorganization and reform, and build appraisal for excellence on a basis that is more scientific and particular about practical results.

We must hasten the building of product quality test centers at the state level. In 1984 we must do a good job in carrying out the plan of 100 state test centers.

We must do a good job in setting prices according to the quality of machine products. At the same time we must formulate the trial provisions for pricing based on quality of textile, light industrial, metallurgical, industrial chemical, electronic and other types of products.

(5) Greater results must be obtained in energy conservation.

The 1984 plan requires that we conserve 18 million metric tons (standard coal), that we conscientiously intensify the leadership in energy conservation and do a good job in technological transformation with emphasis on energy conservation. The energy conservation fund arranged by the state must be used for the specific purpose only. Through technological transformation it is demanded that 3 million metric tons of standard coal be conserved, including 2.3 million metric tons in utilization of surplus heat and technological conservation. We must further strengthen scientific management of energy resources, do well in the survey of energy resources, conduct management of energy resources by quotas and do well in the groundwork for energy conservation. The 700 key enterprises throughout the country which have an annual consumption of 50,000 metric tons of coal or more must be basically outfitted with energy measuring instruments and meters for energy use.

(6) Strengthen technological groundwork.

Standards and measurements are the technological groundwork for improving the level of quality of commodities and an important aspect in making technological advancement. In the future, we must actively adopt international standards in formulating or revising the standards for key industrial goods. A deadline of one to two years can be set for those that cannot be completed at the moment.

Beginning from 1984, with the exception of traditional products that bear China's special characteristics, all new products under application to the state for good quality products or products which are newly developed must adopt international standards.

We must strengthen metrological work, perfect its structure and substantiate its measures. In 1984 we must complete the metrological reorganization, checking and acceptance of 1,800 key enterprises and 700 key energy-consuming enterprises.

(7) Extensively launch technological reform and the campaign for rational proposals.

It is a fine tradition of our socialist state to pay full attention to and mobilize the enthusiasm and creativeness of the broad masses of staff workers and people. We must make full use of the "small inventions"

movement organized by the CYL, the quality group movement organized by the Quality Association, the technical cooperation movement organized by all levels of labor unions and various other forms so that technological advancement will have a strong mass basis. All levels of economic commissions and departments in charge must strengthen close ties with all levels of labor unions, initiate conditions and actively support labor unions in launching technological reform and the campaign for rational proposals so that they will be even more active and yield more results.

(8) Study, formulate and encourage economic policies for technological advancement.

The state has currently adopted some policies that encourage technological advancement such as the provision for tax reduction or exemption for new products, the first group of 550 enterprises in the machine-building industry to be technologically transformed, implementation of the two one-percent policy of encouragement (one-percent increase in the rate of depreciation and one-percent pick up in sales revenue), implementation of the policy of setting high prices for products of good quality for industrial goods, and tariff reduction or exemption for introducing technology to transform current projects of enterprises. In practice, however, there are still numerous problems that need to be jointly studied by all quarters on the basis of investigation and research in order to suggest corresponding economic policies that encourage technological advancement. For example, in the loan, repayment conditions and interest policies of bank loans for technical measures, how to encourage enterprises to use their loans truly in technological transformation; under conditions of safeguarding state revenue, how to gradually increase the rate of depreciation for enterprises with outdated and backward equipment; and how to foster the development of new products under economic policies and encourage the adoption of new technology. These problems are relatively complex. In 1984 all departments and areas must vigorously launch investigation and research and make systematic proposals.

In order to complete the above arduous tasks, it is most important that we stress switching the ideological tracks, professional plans and organization of implementation. In this new year, we must conscientiously implement the instructions of the leading comrades of the Party Central Committee and the State Council on promoting technological advancement and increasing economic benefits, earnestly implement the plans of all tasks in 1984 and actively contribute to further initiating new conditions in technological advancement.

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## ECONOMIC MANAGEMENT

### QUALITY OF SMALL-SIZED INDUSTRIAL ENTERPRISES DISCUSSED

Beijing CAIJING YANJIU /THE STUDY OF FINANCE AND ECONOMICS/ in Chinese No 6,  
25 Dec 83 pp 32-36, 21

/Article by Yang Gongpo /2799 0361 2613/: "On Improving the Quality of China's Small-Sized Industrial Enterprises"/

/Text/ Since the founding of the state and in the course of its socialist construction, China has not only built a large number of large and medium-sized key industrial enterprises but also a large number of small-sized industrial enterprises and has basically formed a scale and structure of enterprises combining large, medium and small-sized enterprises. Small-sized industrial enterprises have a decisive position and a role to play in China's "four modernizations" program. According to 1982 figures, there were 383,180 small-sized enterprises among 388,600 industrial enterprises throughout the country, or 98.6 percent of the total, accounting for 55.5 percent of the total industrial output value. In the production of some industrial products such as coal, hydropower, chemical fertilizer and cement, small-sized industrial enterprises constituted a very high proportion. The annual output of small local coal mines constituted 47 percent of the total national coal output; the annual output of small-scale nitrogenous fertilizer production constituted 56 percent of the total national output; small-scale electric energy production constituted 22 percent of the national total; while the total annual output of small-scale cement production constituted above 60 percent of the total national output of cement. However, judging from the current state of China's small-sized industrial enterprises, there are quite a few problems. For example, quite a number of small-sized enterprises developed arbitrarily. Because they did not go through a feasibility study at the time the factories were built, after completion they face shortages of raw materials, power and fuel, their goods become unmarketable and their products overstocked, resulting in "the small squeezing out the large" and "the backward squeezing out the advanced." Moreover, as management, control and equipment lag behind, as attention is only paid to the structure for a long time and as they do not undergo technological transformation, the results have been poor quality and small variety of products, high consumption of raw materials and fuel, low labor productivity and high cost. Some even have long-term deficits, which not only fail to bring economic results to the society but have wasted its wealth. In order to change this state of backwardness we must vigorously improve the quality of small-sized industrial enterprises at the same time when we continue to readjust and reorganize industry.

Generally speaking, the quality of an enterprise refers to the quality of its personnel, its technical quality and the quality of its management. Exerting ourselves to improve the quality of enterprises is an important step in China's modern socialist construction, a starting point in realizing industrial modernization and a basic way to increase economic results. This article intends to discuss some simple ideas on certain problems in improving the quality of China's small-sized industrial enterprises.

## I

The main quality of enterprises is the human quality. The human quality includes that of the leadership group and staff worker contingents, which form the decisive factor in the quality of enterprises. In the past we underplayed knowledge in economic construction and did not pay enough attention to fostering qualified persons and specialists in various fields and at all levels and did not put enough stress on raising the scientific and educational levels of the whole body of staff workers so that the political quality, technical and professional quality of staff worker contingents are relatively poor. This is even more pronounced among small-sized industrial enterprises. Although stress was put on building the leadership groups of enterprises and on cultural and technical education of staff worker contingents after the 3d Plenary Session of the 11th Party Central Committee, because training has not been fully under way for too long and because of the limitations of various conditions among small-sized industrial enterprises, the state of management personnel, technicians and technical workers being small in numbers, lacking in specialties and low in quality has not undergone a fundamental change. At present, the political, cultural, technical and professional levels of the leadership groups and staff worker contingents of quite a few small-sized enterprises remain unsuitable to meet the demand of shifting various tasks of the enterprises to the course centering around improving economic results, nor are they suitable to meet the demand of changing the enterprises from the purely production type to the production management type and rely on scientific and technological progress to develop production. This is the basic cause of poor quality of small-sized enterprises and is a crucial reason in their poor economic results.

A key to improving the quality of enterprises is to do a good job in reorganizing and building leadership groups, improving the quality of leadership groups and raising the level of policymaking in management. Only if the leadership groups are in accord with the standards of the "four modernizations" of cadres, are marked by courage, rouse their spirit, exert themselves and dare to reform can they initiate a new situation and change the face of enterprises. At present, most of the leadership groups of small-sized enterprises have not yet met this requirement. The composition of their members are primarily: (1) those who were promoted from the workers, who are familiar with production techniques and are relatively rich in practical experience; and, (2) those who switched careers from the army, who have a relatively high political level and have a degree of organizational skill. However, their common weakness is their low scientific and educational level, their insufficient understanding of knowledge in modern management and administration, and some even lack the ability and vigor in initiating a new situation. Our current modern socialist construction is a brand new task. In order to realize industrial modernization and the modernization

of enterprises and to vitalize the economy, merely relying on those past knowledge and experience is already far too insufficient. We must therefore improve the level of ability of cadres in theories and policies to enable them to speedily master modern science and technology and management and administration. Otherwise it will adversely affect our undertaking in modern construction. The chief function in modern management of industrial enterprises is management policymaking. This is because management policymaking is the guide to economic activities of enterprises and the success or failure of management policymaking directly concerns the success or failure of all economic activities of an enterprise. In order to raise the level of management policymaking, much depends on the quality of the leadership groups. For this reason, we must speed up the pace of reorganizing leadership groups of small-sized industrial enterprises. We must insist on the prerequisite of standards of the "four modernizations" of cadres, respect for knowledge and respect for those are qualified, promote to plant managers and secretaries those cadre leaders who have strategic insights, organizational and leadership skills, understand production techniques, are familiar with management and administration and can initiate a new situation. Recently in reorganizing their leadership groups, some small-sized enterprises have considered their selections on the basis of professional knowledge and relative younger age, which is no doubt necessary. However, promoting the chief persons in charge of enterprises still depend on their revolutionary qualities and resolve, their ability to make policy decisions, their professional, organizational and coordinating skills. The departments in charge at the higher level must actively initiate conditions for members of the new groups, increase their training in a planned way, strengthen the building of ideology, work style and professionalism. This will enable small-sized enterprises to maintain a correct course and advance against all difficulties.

Besides, we must also improve the quality of staff workers. Other than political ideology, their quality includes educational, technical and professional levels. The basic way to improve the quality of staff workers is to stress intellectual development and do a good job in training everyone. Only if the broad masses of staff workers master the necessary scientific, technical and cultural knowledge and possess a relatively high level of work and management skills can they fully play a role in improving the management and control of enterprises and increasing the economic results of enterprises and society. Otherwise they will not be qualified as builders of socialist material and spiritual civilizations. This is because staff workers whose cultural, technical and professional levels are very low cannot master advanced technology, advanced scientific methods and management techniques and cannot produce advanced products. If we must make a fundamental change in the current quality of staff worker contingents of small-sized enterprises, we must on one hand develop whole-day and sparetime college and secondary technical education, strive to gradually enable all new specialists, technicians and staff workers in the future to go through a systematic education that is compatible with their own jobs. Compared to large-sized enterprises, small-sized enterprises are less closed in production techniques, less complex in management and control and less extensive in economic ties. In order to suit the needs of large numbers of small-sized enterprises, we must appropriately increase the proportion of specialized college course, secondary technical and secondary vocational schools within the educational structure and increase the proportion of special fields in management and administration. On the other

hand, it is more realistic and pressing to train existing staff workers, particularly specialized personnel, in a planned way, turning them into qualified men on the job and changing the lagging professional management to suit the demands of modern construction of staff worker contingents in the new situation. At the same time we must train large numbers of qualified persons among existing staff workers to satisfy the needs in developing modern construction in the future. Small-sized enterprises might find it difficult to train staff workers on their own. According to needs and feasibility, departments in charge at a hither level should centrally organize and establish joint training centers. Large factories can also lead smaller ones in joint operations and they can also count on the resources of the society to conduct training. Moreover, conditions should be initiated for staff workers to study on their own and they should be encouraged to qualify by independent study. In strengthening the training of staff workers, first we must set the long-term goals and short-term demands of the training of cadres and workers; and second, the departments in charge of small-sized enterprises and the chief persons in charge of enterprises must have a greater recognition of the importance and urgency of intellectual development, create a strong air of respect for knowledge and talents and be willing to exert efforts and outlay the capital. This way we can build a cadre contingent which is large enough to satisfy the needs of industrial modernization and which is qualified to master modern science and technology knowledge in management and administration as well as processing in special fields, and we can also build a worker contingent which primarily consists of midlevel technicians, have relatively rational technical ranks and a relatively high level of educational and technical quality, thereby laying the intellectual foundation for economic revialization in the 1990's and for realizing the strategic goals put forward by the 12th Party Congress.

## II

We must rely on technological advancement to improve the quality of enterprises. In the past we put the emphasis of economic construction on large-scale construction of new factories, overlooked technological transformation and updating the equipment of existing enterprises, did not pay attention to improving and updating products, improving the quality and reducing consumption thereby causing large numbers of industrial enterprises to lag behind. These are even more pronounced among small-sized enterprises. Judging from the current state of the majority of small-sized enterprises, (1) their equipment is old, has a long service record, is poor in precision and performance and cannot suit the demands of China's current production techniques; (2) their production techniques lag behind; (3) they lack the necessary measuring and test instruments and meters, and they still rely rather heavily on experience and the sensory organs in quality control in the production process; (4) their products are dull and their quality is poor; (5) factory buildings are in bad repair and hazardous buildings are numerous. In sum, the technical quality of small-sized enterprises is rather poor. In order to realize industrial modernization we must undoubtedly stress building in a planned way a group of industrial enterprises with an advanced technical level. Nevertheless, our country is large and our industrial modernization is incomplete if we solely rely on a key group of large and medium-sized modern enterprises and if we merely modernize large enterprises. Industrial modernization should also encompass small-sized enterprises. The

number of existing small-sized enterprises is enormous. If their appearance does not change and if their technical quality still lags behind, even if we produce more energy and raw materials through key construction, we will not be able to cause industry to develop faster and better, the goal of quadrupling the total annual output value in industry and agriculture by the end of this century will be affected and the entire industrial modernization will not yield results. Therefore, we must stress improving the technical quality of small-sized enterprises and their modernization.

We must improve the technical quality of small-sized enterprises and modernize them through technological transformation. To transform themselves technologically, small-sized enterprises must use conditions of development, science and technology and the level of management and control that suit themselves, advanced technology that can bring good economic results, and they should be particular about improving the performance and quality of products and economizing material consumption. This is because the quality of products and material consumption are chief indicators of the quality of an enterprise. In order to improve the quality of enterprises we must and we can only develop our tasks centering around improving the quality of products and reducing material consumption. Technological transformation of small-sized enterprises also requires us to make emphasis and selectively introduce technical patents and key equipment from abroad, reform our technology, update our equipment and develop new products. According to the needs of small-sized enterprises, departments in charge at all levels should actively provide various conditions and support, help enterprises to rapid assimilation and application and speedily give play to the role of introducing technology, promote the improvement of the technical quality of enterprises, and succeed in low investment, fast results and high in benefits. During technological transformation, small-sized enterprises should also maintain and reconstruct factory buildings and common projects. This is even more pressing for old industrial bases such as Shanghai. We need to adopt the necessary measures, reinforce and rebuild hazardous factory buildings and gradually reconstruct factory buildings according to the needs of technology and equipment.

Extensively developing technical exchange and cooperation is also an effective way to improve the technical quality of small-sized enterprises. Small-sized enterprises generally have low technical resources and need to rely on various exchange and cooperation among enterprises in the same trade utilizing resources in the society so that they can adopt and popularize new techniques, new technology, new equipment and new materials, produce products that are of good quality, high yield and low consumption thereby improving the technical quality of enterprises. In their cooperation, 10 small-sized chemical fertilizer plants in Shanghai help and learn from each other and do not seal off their technology. When one factory has difficulties, all the factories lend assistance; when one factory gets results, all the factories benefit; when one factory uses an innovation, all the factories popularize it; and when one factory takes the lead, all the factories try to catch up and overtake it. In this way they apply advanced technology of advanced enterprises among all enterprises so that all technical and economic targets in the same trade reach an advanced level. Already they have been awarded the nationwide "team title" in the small-scale nitrogenous trade for 2 consecutive years. The small-scale chemical fertilizer trades in Shanghai not only carry out the movement to emulate, learn from,

catch up with, help and in turn surpass each other in their own trade but also actively launch the "support-border area and internal technological support." For more than 2 years they have sent technical support teams formed by cadres, technicians and experts in production operations for over 200 person-times to some 30 small chemical fertilizer plants in some 12 provinces and autonomous regions including Yunnan, Xinjiang and Heilongjiang to help develop production and improve economic results. The Huxi County Nitrogenous Fertilizer Plant in Yunnan is a small factory that was originally designed for an annual production of 3,000 metric tons of synthetic ammonia. After it began production, due to some technical and equipment problems there have been continuous deficits from 1974 to 1980. In the second half of 1981 the Shanghai small-scale chemical fertilizer support team came to the factory and made 58 proposals and helped to formulate 13 measures for technical improvement. The factory made great improvement in technology, equipment and safety and the rate of qualifying in technological targets increased from 70 to more than 85 percent. That year it made up deficits and increased surpluses and the profits for the whole year was 370,000 yuan. After that they went to this factory on two other occasions and continued to give technical guidance in automated meters, measuring and testing. the Huxi County Nitrogenous Fertilizer Plant currently produces more than 7,000 metric tons of synthetic ammonia with profits that exceed 1 million yuan. Its per ton profit is among the best in the trade nationally and it has become an advanced unit in Yunnan.

Developing new products, improving the quality of products and replacing old products which have poor performance, low quality and high consumption with new products which have good performance, high quality and low consumption will not only satisfy the growing daily needs in material and cultural life of the people but are also an important aspect of improving the technical quality of enterprises. Because of the limitations of funds, equipment, technology and manpower, small-sized industrial enterprises will have certain difficulties in developing scientific research, design and testing independently. Departments in charge at the higher level must perfect scientific research and design organs and strengthen their guidance in the technical development of small-sized enterprises. At the same time, small-sized enterprises can set up joint scientific research and design organs, equip themselves with the necessary research personnel and technicians, install the corresponding test instruments and equipment and intensify the research and development of new products and new technology. At present, quite a few small-sized enterprises are dealing with their own shortcomings and are adopting some effective means to develop new products. For example, some utilize the technological innovations and research results of other units; some carry out a three-way combination with institutions of higher education and scientific research units and cooperate by centering around a scientific and technical project or the development of a new product; based on social needs, some copy equipment and instruments that are being trial-used but not for production and produce them as new products. The Shanghai High Pressure Oil Pump Plant is a small factory with more than 400 people and low in technical resources. With cooperation from 13 institutions of higher education and scientific research units it has conducted joint design, accepted a variety of methods such as technical transfers and getting technical training from outside units, improved and updated the original products and speeded up the pace of technological advance. At present, the product specifications of this factory

have increased from 9 types to 4 series and 36 types, and there is a certain amount of technical reserve. The 25SCY-14-1B plunger oil pump has received the state silver medal and the factory has received the nationwide enterprise management award and Shanghai's quality management award. Each year half of its products enter the world market. With 1982 output value and profits increasing by 16 and 10 percent respectively over the previous year, for the first half of this year there was an 8.5 and an 11.6 percent increase over the same period last year, while various economic targets were among the best in the trade nationwide. In developing new products, small-sized enterprises must base themselves on their own conditions, be realistic and practical, prevent blind pursuit of "the latest advanced level" and cannot blindly trial-manufacture and start producing today's hot-selling item. If we do not act according to our capacity, investigate closely and make forecast it will often result in faults of management policymaking. Because some small-sized enterprises lack resources, do not make their equipment complete, fail to tackle key technical problems and lag in management, they act blindly, fail to produce the products or produce products which are poor in quality, high in prices and unmarketable, getting half the result with double the effort and wasting money and manpower. It is worthy for small small-sized enterprises to learn a lesson from such conditions.

The key to modernize small-sized enterprises is to improve the technical quality of small-sized industrial enterprises and promote advancement in their production techniques. Each enterprise should unite and reorganize, draw up the plan for technological transformation which centers around improving the performance and quality of products and reducing the consumption of raw materials and fuel, extensively launch movements of rational proposals and technological innovations with a mass character, popularize various technological achievements which already have good economic results, adopt new techniques, new equipment, new materials and new technology, center on developing new products and gradually shift production onto a new technological foundation.

### III

At present, in order to improve the quality of management of small-sized industrial enterprises, we must combine it with the full-scale reorganization of enterprises. Through full-scale reorganization we must improve the quality of management and realize modern management of enterprises by basically changing the backward appearance of enterprises whose management is confusing, accounts are unclear, resources are unknown, work has no quotas, consumption is not measured, capital has no accounting and waste is not regretted.

In order to improve the quality of management of small-sized industrial enterprises we must do a good job in the groundwork of management. The tortuous development and course of China's management of enterprises for over 30 years have shown that the amount of groundwork completed directly affects the quality of management of enterprises and economic benefits and it directly affects the prospects and destiny of enterprises. Generally speaking, the groundwork of management of small-sized enterprises is very weak, which has affected the setting up of the economic responsibility system, the improvement of the quality of products, the reduction of material consumption, the development of new technology and the popularization of modern management. We know that modern industry is

based on strict measurements, accurate records and precise quotas. Only if small-sized enterprises do a good job in the groundwork of management can they effectively improve the quality of management of enterprises. At present, the key points in strengthening the management groundwork of small-sized enterprises are: First, strengthening standardization, including technical and management standards. Technical standards are demands made on various production and technical tasks of enterprises and are goals that must be attained. There are state and departmental standards for product quality, technology, checking, packaging, storage and freight, and we must follow the requirements of specified standards. Enterprises which have no standards must set up their own. We must actively use international standards or advanced standards abroad according to needs and feasibility. Management standards are provisions for responsibility and procedures in various management tasks of enterprises such as work quality standards and management procedure standards so that various tasks of enterprises may become rational and effective. Second, reorganizing quotas, including manpower, material resources, financial resources and others. It is the foundation for implementing the economic responsibility system, the main basis for making economic and work plans of enterprises such as production and cost, and is an indispensable yardstick for implementing the principle of "from each according to his ability, to each according to his work." Quotas must be established for whatever that can be quantified and we must insist on the average advanced character of the quota level which is an important measure to improve labor productivity. Third, perfecting metrological work, including techniques and management of metrological examination, testing and test analyses. We must supplement and increase the necessary equipment and tools for testing and examination according to actual needs and with planning, actively initiate conditions and reform the metrological testing techniques which lag behind. Fourth, strengthening information work, including doing a good job in keeping firsthand records, enhancing statistical analyses, conducting data management and perfecting scientific, technical and economic files. This is an important basis for enterprise to make correct policy decisions in management. Fifth, perfecting the system of rules and regulations which centers around the responsibility system which includes the responsibility system of leading personnel at all levels, the responsibility system of functional organs and personnel, the responsibility system of workers at their work posts as well as the system of attendance, the system of rewards and penalties and the system of safety in production. In order to build and perfect the responsibility system we must proceed from reality, have aim, make implementation convenient, be particular about results and make possible that everyone has his own responsibility, every matter is looked after by someone, assessment is strict and rewards and punishment are perfectly clear. Sixth, strengthening basic education, which is primarily ideological and moral education and technical and professional education which are necessary to one's job and work post. The six areas mentioned above are the most basic substance in the groundwork of enterprise management. Concerned departments can set concrete requirements and measures according to the characteristics of different trades and professions. Small-sized enterprises themselves must proceed from their current needs in production techniques and management and control and also consider the requirements of future development, arrange and implement each and every basic task. At the same time, departments in charge at the higher level should support small-sized enterprises in their needed funds and implements in strengthening basic work, thereby enhancing the level of basic work and creating good conditions for modernizing management.

Small-sized enterprises can also make use of outside strength to improve their quality of management other than relying on their own effort. Shanghai's industrial management departments and learned societies play a very good role in helping small-sized enterprises to improve the quality of management. For instance, assigning persons by responsible bureaus and corporations to investigate selected units and giving concrete guidance; giving play to retired management specialists in providing consultative service; organizing institutes of management administration in the same trade to discuss problems, exchange experience and put forward solutions; launching symposia through learned societies, operating vocational classes and conducting comprehensive "diagnoses"; and frequently providing information on economic, trade, scientific and technical development at home and abroad by concerned departments. As an example, by consulting the consultation group of the Shanghai Enterprise Management Society, the Shanghai No 1 Steel Pipe Plant discovered 38 problems and 33 different recommendations were made for making improvement. After reorganization and changes, the average monthly output of the plant increased by 40.5 percent, the passing rate of products increased by 5.74 percent, labor productivity increased by 46 percent, profits grew by 87.2 percent and the value of goods kept in stock was reduced from 550,000 to 400,000 yuan.

It is a scientific way to organize industrial production and an objective demand in improving the quality of enterprises by adopting different forms in accordance with the principle of cooperation among specialized fields centering around specialized corporations or large enterprises, organizing all concerned small-sized enterprises, defining the orientation of products, turning "small and complete" into "small and specialized" and "small and excellent" and gradually forming a specialized cooperative system for all trades and areas. Judging from today's industrial development, concentrated production and coexistence of large, medium and small-sized enterprises are two concurrent trends. On one hand, concentration intensifies as the degree of production socialization increases; on the other hand, around large-sized enterprises there are numerous medium and small-sized enterprises that cooperate with them in completing their products. The greater is the degree of socialization the more it signifies a greater division of labor and a more extensive cooperation, but it does not mean that small-sized enterprises will gradually decrease in number and will eventually be eliminated through competition. On the contrary, under some economic departments, small-sized enterprises will gradually increase in number and will coexist with large and medium-sized enterprises for a long time. Therefore by bringing the large number of dispersed small-sized enterprises onto the course of specialized cooperation we can enable them to clearly understand the orientation of production, safeguard the stability of production and benefit the improvement of technical and management quality. It is possible to adopt new techniques and engage in single-product, small-scale batch production of spare parts and primary components, simplify production plans, management, technical preparation and labor organization, raise the level of management and attain relatively good economic results. In order to increase output and guarantee quality, the Shanghai Huasheng Electric Fan General Plant has in recent years supplied more and better electric fans to the market, changed the original form of production organization of "small and complete" by reorganizing the more than 10 joint factories according to the principle of specialized cooperation and organizing spare part and technical specialized production.

The general plant concentrated its strength on the production of high-grade electric fans, trial-manufactured new varieties and helped branch factories to improve the level of production technology, management and control. Currently this plant has formed an initial, basic cooperative production system, doubled the output of electric fans in 1978 and has increased the quality. Its 400 mm button-controlled table fan has been awarded the state silver medal. To do a better job in bringing small-sized enterprises into the large production of specialized cooperation, first, small-sized enterprises must persist in the course of cooperative processing for large industries, stabilize existing relations in processing, organize new cooperative division of labor and complete the tasks in processing according to schedule, quality and quantity. Large industries must support small-sized enterprises and cannot cease cooperation without authorization, shift responsibility and reduce workers' wages. Second, industrial departments in charge can reorganize in combination with industry, upgrade and update products, disperse some products, spare parts and components and technical processing to small-sized enterprises which do not have sufficient works and organize specialized cooperative production to improve economic results. Third, we must allow foreign trade departments to make direct arrangement with small-sized enterprises, organize the use of import to support export, processing of imported materials, compensatory trade and export production. Fourth, based on market needs and the feasibility of raw materials, we must give play to small-sized enterprises in their characteristics of flexibility and making good omissions and deficiencies, develop light industrial commodities which economize on materials, have a low consumption of energy and little of the "three wastes," commodities of everyday use, products and spare parts that are not standardized and are in small quantities as well as using primary components not suitable for high-grade products to produce low-grade products that can be marketed in the countryside. In short, continuing to reform the organizational form of industrial production and organizing industrial production according to the principle of specialized cooperation are an element in improving the quality of enterprises. With the organization structure of enterprises being irrational, there are limitations to improving management and administration and increasing economic results. If this problem is not resolved, enterprises will not be able to change the backward appearance of their management and technology and will not be able to realize the new change of improving their quality.

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## ECONOMIC MANAGEMENT

### PROBLEMS IN LIAONING'S MACHINE-BUILDING REVIEWED

Beijing JINGJI LILUN YU JINGJI GUANLI [ECONOMIC THEORY AND BUSINESS MANAGEMENT]  
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[Article by Li Yugan [2621 3768 0049] and Zhou Guangping [6650 1684 1627]:  
"A Probe into the Issue of the Economic Results of Liaoning Province's  
Machine-building Industry"]

[Text] Liaoning's machine-building industry occupies an important position in both the provincial and the national economy. Whether or not the machine-building industry can provide more advanced and useful machinery and electrical equipment and improve economic results as soon as possible has a rather important effect on the efforts of the province and the country to create a new situation in the modernization drive. This article will try to launch a preliminary probe of the issue.

#### I. Position of Liaoning's Machine-building Industry and Major Problems It Is Now Facing

Liaoning is a machine-building industrial base on a relatively large scale. The industry was built with emphasis by the state in the early period of the PRC's founding according to a unified plan. The province has rich resources, a large assortment of enterprises, ample raw materials, convenient transportation and other salient features and advantages that other places in the country do not have. During the period of the "First 5-year Plan," machine-building plants producing airplanes, machine tools, pneumatic tools, electric wire and cable and heavy-duty mining equipment were built here. In the 1960's, machine-building enterprises producing metallurgical equipment, machines for chemical industries, power-generating equipment, meters and instruments were also built here. In the early 1970's, infant machine-building industries including the electronics, numerical-control and hydraulic-pressure industries were also developed one after another. Liaoning Province now has more than 5,200 machine-building enterprises, more than 1.3 million staff members and workers and about 11.2 billion yuan in fixed assets. In 1982 the total output value of Liaoning's machine-building industry was 10.2 billion yuan, accounting for 23.1 percent of the province's total industrial output value and 10 percent of the nation's total machine-building industrial output value. This figure was the second highest in the nation next to Shanghai's. Over the past 30 years or so, Liaoning's machine-building industry has provided

a large amount of technical equipment for socialist economic construction. More than 60 percent of all major products including machine tools and transformers have been transferred out of Liaoning Province. All this explains that Liaoning's machine-building industry not only has provided a large amount of technical equipment for the national economy in the past but will also continue to serve as a base on which all trades and professions can depend in technical transformation.

The most prominent problem confronting Liaoning's machine-building industry at present is poor economic results.

At the beginning of the 1970's, Liaoning's machine-building industry began to decline. Especially during the period of economic readjustment, the decline in economic results was very noticeable. Take enterprises owned by the whole people under the control of the provincial bureau of machine-building industry, for example. From 1974 to 1982, their fixed assets increased 52 percent, their circulating funds increased 25.2 percent and the number of their employees increased 17 percent. But during the same period, their output value declined 6.4 percent, their profits declined 69.5 percent and the average annual profits decreased 8.7 percent. This means that their profit rate on output value declined 34.4 percent and their profit rate on all funds declined 78 percent.

There are gaps between the economic results of Liaoning's machine-building industry and the results of advanced regions in the country. Some gaps are growing bigger and bigger. Compared with the Liaoning Provincial Bureau of Machine-building Industry, Shanghai's First Bureau of Machine-building and Power Industry had 10 percent more enterprises with all-people ownership at and above the city level and 13 percent more staff members and workers in 1982. But its output value was 94 percent higher than Liaoning's and its profits were five-fold greater. Shanghai's profit rate on output value was 24.9 percent and Liaoning's was only 9 percent. Shanghai's profit and tax rate on funds was 26.7 percent and Liaoning's was only 7.2 percent. Before 1980, the Shenyang City Bureau of Machine-building and Power Industry always maintained second place in major targets of economic results among the four major cities--Beijing, Tianjin, Shanghai and Shenyang. After 1981, it obviously fell behind and dropped to fourth place. In 1981 the profit created by each staff member or worker in this bureau was 1,192 yuan, accounting for only 31.4 percent of Shanghai's, 72.2 percent of Tianjin's and 93.9 percent of Beijing's. This situation of great advantages and poor economic results cannot but affect Liaoning's functioning as a machine-building base and jeopardize the increase of state revenue.

## II. Major Factors Affecting Economic Results

Major causes of the poor economic results in Liaoning's machine-building industry are as follows:

1. The range of services is narrow and the ability to handle emergency situations is limited. This is especially so in Liaoning's machine-building industry. In 1978 over 90 percent of products at the enterprises under the province's first bureau of the machine-building industry were produced to

serve heavy industry and capital construction. This serious imbalance in the relations between Liaoning's machine-building industry and other sectors of the national economy has a lot to do with the lineup of enterprises and products formed over a long period of time in Liaoning's machine-building industry. For example, 97.7 percent of the enterprises under the Shenyang City Bureau of Machine-building and Power Industry were made up of four major industries--heavy-duty machinery, machine tools, general-purpose machinery and electrical engineering--which mainly serve capital construction and produce large general products. This figure is 23 percent higher than Shanghai's, 31.2 percent higher than Tianjin's and 35.8 percent higher than Beijing's. During the period of economic readjustment, the demand for large general-purpose products declined sharply as a result of a sudden reduction in the scale of capital construction, thereby clearly exposing the contradictions caused by a shortage of production quotas and an inability to react to market changes. In 1981 the national rate of growth in the machine-building industry declined only 3 percent compared with the year before, but Liaoning's rate declined 8.7 percent, much higher than the national rate of reduction. Many enterprises in Liaoning have strived to readjust their service orientation and have developed a number of new products. However, due to their limited ability to handle emergency situations in addition to a limited time and number of products, low output and high costs, these enterprises will not be able to improve their economic results at any time soon. This is a major factor affecting the economic results of Liaoning's machine-building industry.

2. Equipment is obsolete, techniques are outdated and the quality of enterprises is poor. After a relatively large-scale material and technological basis is established, if enterprises still fail to transfer in a timely manner the expansion of production from a mode focused on "extensiveness" to a mode focused on "intensiveness" and if they do not increase labor productivity by improving their quality over a long period of time, they are bound to suffer from obsolete equipment, outdated techniques, low efficiency and high consumption.

Liaoning's large and medium key enterprises were basically built during the "First 5-year Plan" period. The service period of their equipment has already been very long. At present, the net value of fixed assets in Liaoning's machine-building industry is only about half of their original value, the lowest among all industrial bases in China. According to statistics compiled in Shenyang, 35 percent of the city's 73,000 metal-cutting machine tools and forging and pressing equipment have over 20 years of service, and 7.3 percent of the equipment owned by the enterprises under the bureaus of the machine-building, farm machinery and electronics industries has to be scrapped. Production techniques are basically at the level of the mid-1950's by foreign standards. Little or no cutting technique is employed, and the utilization rate of steel products is less than 60 percent (84 percent in the United States). The Shenyang No 1 Machine Tool Plant is relatively well-equipped. It is reported that only 40 to 50 percent of the fixed assets owned by this plant are new. The First Ministry of Machine-building Industry once demanded that the rate of first-grade products at this plant be over 70 percent, which turned out to be impossible because the precision of its

equipment was substandard. Therefore, outdated and obsolete technology and technical equipment and the poor quality of enterprises are an objective factor affecting the economic results of Liaoning's machine-building industry.

3. The updating and improving process of products is slow. The majority of Liaoning's machinery and electrical products are at the level of before the 1950's and the 1960's. Only about 10 percent of such products are at the level of the 1970's. It is estimated that 48 percent of the products are in full supply on the market; the rest are not in great demand. Such products as valves, boring lathes and standard instruments which occupied a leading position on the domestic market have now declined. Therefore, expanding the variety of products, improving the quality and level of products, quickening the step in improving and updating products and increasing competitiveness have become a key issue in improving the economic results of Liaoning's machine-building industry.

4. The proportion of exports is small. This is another major reason why Liaoning cannot gain more economic results from international markets. In recent years, some enterprises have made great efforts in this regard and have achieved a sizeable increase in exports. However, in 1981 Liaoning's machine-building industry exported about 300 million yuan worth of products, accounting for only about 3 percent of its total output value. In Shanghai it was about 20 percent, and in Guangdong it was as high as 40 percent. The proportion of exports does not match the huge size of Liaoning's machine-building industry and has affected the income of foreign trade.

5. Central and local authorities are divided, management is decentralized, plants are built blindly and production is repeated. Why is it that Liaoning's machine-building industry cannot solve some problems in a timely manner and lags farther and farther behind Shanghai and other places? A fundamental reason is that central and local authorities are seriously divided, management is too decentralized and technological advantages cannot be fully and rationally utilized. Liaoning now has more than 5,200 machine-building enterprises. They are under the vertical and horizontal control of over 40 to 50 central and local departments. These departments make things difficult for each other. They are not coordinated. Each one forms an independent system. This kind of economic system is actually built and expanded according to the model of management in small production. It has severed the internal relations in economic activities and hindered the macroeconomy from effectively exercising its role in management and coordination. This has provided certain objective conditions for blind production and has repeated construction and the reproduction of "antiques." Besides, a lack of comprehensive understanding of the significance in management is also a subjective cause of this phenomenon. When Marx said management was as important as a conductor of an orchestra, he referred not only to micro-economic management but also, more importantly, to macroeconomic management. With large-scale socialized production developing day by day, carrying out scientific overall command and coordination in the microeconomy appears to be increasingly important. At present, nearly 100 machine-building enterprises in Liaoning are producing the same kind of products, of which,

we found to our dismay, a majority are in extrabudgetary repetitive production. Since the role of planning and guidance was weakened in the past few years, irrational repetitive production made new advances. For example, the production of 10 major machines and electrical appliances for daily use, all extrabudgetary, is carried out by some 160 enterprises, causing electric meters, water meters, washing machines and television sets to be stockpiled higher and higher. Because scientific overall planning and guidance have fallen behind, enterprises lack an understanding of economic information, their travel expenses have increased and enterprises' management expenses are increasing daily. Due to the inaccuracy in enterprise production forecasts, the inventory of machines and electrical appliances is increasing year after year. For example, the inventory of enterprises under the Liaoning's first bureau of machine-building industry accounted for 8.3 percent of their commodity output value in 1979. This rose to 11.2 percent in 1980 and reached as high as 16 percent in 1981. The inventory in Shanghai was only 5.9 percent in 1981. Such increases in inventory have wasted manpower and material and financial resources, have intensified the energy shortage and have worsened the imbalance. At the same time, they have caused losses to some enterprises or caused them to suffer from poor economic results which make them unable to increase income when their output is increased.

In sum, economic results are a comprehensive reflection of all factors in economic activities. Mentioned above are major factors affecting the economic results of Liaoning's machine-building industry. They include both technological and managerial factors as well as both macroeconomic and microeconomic factors. They affect each other. Some of them are general weaknesses in the whole machine-building industry, but their expressions are more concentrated and prominent in Liaoning Province.

### III. Main Ways to Improve Economic Results

With regard to improving economic results, we may say that Liaoning's machine-building industry is facing a serious challenge. To bring into play the advantages of Liaoning's machine-building industry and fundamentally improve economic results, we must make efforts in both macroscopic and microscopic aspects, set forth effective measures and conduct comprehensive treatment to make an obvious change in the quality of enterprises. Otherwise, there is no way out. Specifically, we should adopt countermeasures in the following areas:

1. Do a good job in reorganization and association in accordance with the principle of specialized coordination. When carrying out reorganization and association, we must closely rally around the center of improving economic results and start from changing product mix, developing spare parts and carrying out technical specialization in those enterprises which can help enhance the weak lines of the national economy. We should also bring into play the functions of central cities on the basis of regional planning. This can help break through the limits of regional and departmental ownerships, overcome repeated production, improve the quality and level of products and find an easy access to success. The following suggestions are made in view of Liaoning's experiences and lessons in reorganization and association:

A. We must master the law of development in specialized coordination and gear ourselves to objective needs. For example, the Dalian Freezer Plant developed a number of new marketable products in recent years; therefore, the social demand for its products increased substantially. In order to meet the needs of society and increase the production capacity of its enterprise, this plant established an economic association with 31 enterprises on different occasions by engaging them in the production of over 100 auxiliary products and products requiring technical coordination. This plant also volunteered to give these enterprises technological guidance and to provide them with working facilities and equipment, thus ensuring a sustained increase in the production of its enterprise. Therefore, fully utilizing the potential of existing enterprises in view of objective needs and following the road of "intensive" expansion of reproduction are important principles for promoting the organizational formation and development of specialized coordination.

B. We must do a good job in technical service. The reason that some departments and enterprises used to build their own machine-processing factories and repair shops and form their own systems is closely related to the poor quality of technical services provided by machine-building enterprises. The so-called technical service is to help consumers familiarize themselves with the functions of products, solve problems in production and operations in a timely manner and provide spare parts needed for products on time. This work-style of management has been substantially improved in the economic readjustment. However, because production is now recovering and production quotas are beginning to pile up, some enterprises' enthusiasm is again appearing to decline. This is very detrimental to both machine-building enterprises themselves and other industrial departments and enterprises in reversing the situation of forming independent, large and complete systems. Thus, the machine-building industry must not have a relapse. It must resolutely do a good job in technical service, accelerate the development of specialized coordination and rationalize the organizational structure of enterprises.

C. We must correctly handle the relations between administrative and economic means. Since commodity production and exchanges still exist in socialism and enterprises are relatively independent, when promoting the reorganization and association of machine-building enterprises, we must not ignore the specified role played by economic means in coordination. However, we must not fail to notice that under the mode of socialist production which is based on public ownership of the means of production and dominated by a planned economy, all departments and enterprises are not allowed to be restrained by local interests, to have completely free choices and to affect the overall planning. Therefore, formulating proper unified plans, combining the demands made by lower levels on higher levels with the organizational guidance given by higher levels to lower levels, doing a good job in ideological and political work and adopting correct administrative means with the supplement of coordinating economic means are simple, feasible basic measures for achieving success as soon as possible in the restructuring and association of the machine-building industry. Shanghai and Changzhou have effectively proved this point by using these basic measures to carry out reorganization successfully and realize a "coordinated process" of cooperation. The weaknesses Liaoning used to have in industrial reorganization should not be blamed on administrative means themselves. The

key issue is that we cannot rely simply on administrative means. We cannot simply put together cooperative plants or dismantle plants with major machines. We should choose the best plan on the basis of conducting thorough investigations, studies and feasibility analyses and have several "sensible persons" participate in organizing and exercising leadership. There can be a variety of forms, but establishing strict responsibility systems is a must. Achieving better economic results should be considered the basic requirement. In view of the fact that Liaoning's machine-building enterprises have relatively complicated affiliation relations, to do a good job in this work it is particularly necessary to change the barriers into the coordination between central and local authorities and combine the restructuring of organizations with that of the management system.

2. Go ahead of others in making proper arrangements for the technical transformation in the machine-building industry and improve the quality of enterprises.

Whether judged by the current situation of obsolete and outdated technical equipment in the machine-building industry or by its future role as a predominant force in promoting large-scale technical transformation in the national economy, the machine-building industry must go ahead of others in carrying out its own technical transformation and improving the quality of its enterprises. Only by doing so can the machine-building industry take on the heavy responsibility entrusted by history to provide a basis of high technology for the continuous growth and improvement of social production.

The technical transformation of the machine-building industry must consider updating and improving products as a point of departure, doing a good job in scientific research as a central link and improving economic results as a place to stay. It must be closely combined with the reorganization of specializations in order to achieve substantial results. In view of the actual conditions in Liaoning's machine-building industry, first it is necessary to do a good job in updating and improving precision cutting machine tools, and forging and pressing equipment around the improvement of the technology of machine tools because only with advanced machine tools can we manufacture advanced machines and tools. Second, it is necessary to solve general problems in basic components, meters and instruments such as poor quality, short life, limited variety and poor performance while paying special attention to raising the technological level of major components such as low-voltage electrical components, hydraulic-pressure and sealing elements and meter and instrument components so as to ensure the quality and function of major machines. Third, it is necessary to strengthen scientific research, improve product design levels and perfect examination and testing methods. If scientific research is not improved, it would be difficult to develop new technology, new techniques and new materials. If design levels are not improved and we still use the method of following past experiences, namely, enlarging or reducing certain model machines, we are bound to hinder the development of new products and the improvement of the levels. Without perfect examination and testing methods, we would not be able to determine the parameters of the quality and function of new products and new technology. The

characteristic of the machine-building industry is assembly. Only when it is equipped with advanced machine tools can it manufacture a variety of basic components and cells with reliable performance. Only when it masters the knowhow in refined modern design and has perfect examination and testing methods can it provide a large number of advanced and practical products for all sectors of the national economy.

3. Readjust product lineup to develop good-quality, highly efficient and energy-saving machines and electrical equipment to meet the needs of all trades and professions.

A. Provide highly efficient and energy-saving new equipment for the technical transformation and equipment renewal of energy, communications and transportation departments. The shortage of energy, communications and transportation has become the most prominent issue in the development of the national economy. At present, a large number of "electricity tigers," "coal tigers" and "oil tigers" in various departments of the national economy urgently needs to be replaced. The efficiency of such old equipment is 10 to 15 percent lower and its energy consumption is about 10 to 20 percent higher than that of similar products in foreign countries. The losses and waste caused by such equipment every year are astonishing. In view of the current situation of Liaoning's machine-building products, it is absolutely necessary to do a good job particularly in the updating and improvement of 10 major products--water pumps, wind-driven machines, compressors, valves, electrical machines, transformers, boilers, electric welders and automobiles. Quite a few enterprises have achieved market results in this regard. Their practices need to be popularized. For example, the Shenyang Water Pump Plant developed a new model of water flooding pump for the Daqing Oil Field, raising its efficiency from the original 62 percent to 78 percent. Each set can save 2.5 million kwh of electricity or 150,000 yuan a year, but it only costs 73,000 yuan to buy a set.

B. Provide a variety of advanced and useful equipment for agriculture and for light and textile industries. Since the production of the agriculture and light and textile industry departments directly concerns the consumption on the market, increasing the production capacity and raising the technological level in these departments is a primary way to increase the production of consumer goods. First, it is necessary to have a thorough and clear understanding of the technological situations in these departments and serve as good "advisers" to the consumers. For example, the Shenyang No 3 Machine Tool Plant studied dozens of spare parts collected from domestic and foreign consumers which were suitable to be processed with its machine tools for light and textile industries. It volunteered to consult with consumers in devising processing techniques and to help them master the functions of equipment, winning great popularity among consumers. Second, products provided should be varied, advanced and useful. Along with the implementation of responsibility systems in agricultural production and the development of a diversified economy of agriculture, forestry, animal husbandry, sideline production and fishery, agricultural departments are bound to set forth a demand for various new models of farm machinery corresponding to their needs. Along with the continuous development of light and textile industries

in designs, variety and specifications, light and textile industries are also bound to demand that the machine-building industry provide various new working facilities and highly efficient equipment. Therefore, the machine-building industry must increase its ability to handle emergency situations and, on the basis of steadily improving and increasing the variety of its products, satisfy the needs of market development and changes.

C. Provide advanced equipment for the technical transformation of metallurgical, building material and petrochemical industries and gear toward the development of products for special use and in complete sets. Heavy industry is Liaoning's economic advantage. With the technical transformation of heavy industry developing in depth, the machine-building and power industries are required to provide more high-level equipment in complete sets for special use. The completeness is very important in the machine-building and power industries. Neither a single machine or a set of machines can operate normally if any accessory is missing. Therefore, it is necessary to make things as convenient as possible for consumers within the largest scope. Foreign countries have generally adopted the turn-key method in the development of complete sets of equipment. In other words, manufacturers are responsible for the whole process--from designing, installation and debugging to normal operation. After this, they just turn the key over to consumers. We are now beginning to make some efforts in this regard. However, judged by the overall situation, the level of our complete sets of equipment is still relatively low. Efforts need to be made to strengthen planning and guidance and to undertake further development in this regard. In addition, efforts also need to be made to change the situation in which there are much general-purpose popular equipment and less special-purpose precision equipment.

D. Consider machine building as an export strategy industry. This is particularly important to Liaoning. Indeed, the present machine-building industry does not have the conditions for exporting a large volume of equipment. However, selecting a few products of different industries and increasing the export ratio of such products every year is completely possible. According to the estimates of the departments concerned, if we strive to export, several years from now, 10 billion yuan worth of machines and electrical products a year, we can replace the export of 4 million tons of oil or 200 million tons of coal. This would alleviate the energy shortage at home and also earn a large amount of foreign exchange for the state.

In order to widen international markets, efforts must be made to understand international market information and trade forms and do business in a flexible and varied manner. It is also necessary to adopt the following measures: 1) allow tax exemption and reduction for processing of imported materials, processing according to imported models, assembly of imported parts and compensation trade; 2) allow export enterprises to share foreign exchange receipts; and 3) ease policies and encourage enterprises to establish joint ventures and production cooperation with foreign investors. This is conducive to the export of the machine-building industry.

4. Implement policies that can help the machine-building industry to progress faster in development.

In the development of all economic sectors, the machine-building industry is characterized by a tendency to make faster progress. To maintain this characteristic of the machine-building industry and quicken the pace in technical transformation, a great difficulty we now have is a shortage of funds. To solve this, we should begin in the following few areas; 1) We should encourage enterprises to strive to develop production and help them do a good job in overall consolidation, actively promote modern management methods and create and accumulate wealth through multiple channels. This is a permanent solution for the problem concerning the source of funds.

2) We should adopt the "tax for profit delivery" method to arouse the enthusiasm of enterprises for creating and accumulating wealth. 3) All depreciation funds delivered by machine-building enterprises to the state in principle should be returned to bureaus in charge of these enterprises for use in the technical transformation of key enterprises or products.

4) We should encourage enterprises to use foreign funds and import technology in an active manner. 5) If enterprises suffer from low profits and are unable to pay back their loans because they have developed highly efficient, energy-saving new products which have markedly increased the economic results of society, the state should help them solve their fund problems by making the proper appropriations. The economic results of these enterprises should be considered from a comprehensive and long-term point of view and given correct evaluations. Doing a good job particularly in readjusting the machine-building industry in Shenyang and Dalian cities is a key to increasing the economic results of the machine-building industry throughout Liaoning Province.

The main ways to increase the economic results of the machine-building industry discussed above complement and promote each other. We may say that reorganization and association are the prerequisites, technical transformation and equipment renewal are the major means, readjusting product mix and satisfying social needs are the basic objectives and correct policies are the important guarantees. In sum, if we raise the policy making level, pull ourselves together and work hard to improve the quality of enterprises, we certainly will be able to witness a revitalized situation in the machine-building industry and a greater improvement in economic results.

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## FINANCE AND BANKING

### SUMMARY OF SPEECH ON FINANCIAL WORK BY WANG BINGQIAN

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[Article: "On the Nation's Financial Problems; A Summary of Wang Bingqian's 22 November 1983 Speech at the Financial Work Conference"]

[Text] I. A Look back at Financial Work since the Founding of Our People's Republic

What type of fundamental appraisal must we make for financial work since the founding of the People's Republic? How should we proceed through this period of history? We feel that even though we have experienced setbacks in our financial work since 1949, even to the point where all types of mistakes occurred, in the long run, however, our work has advanced successfully out of the complications. Under the guidance of Marxism-Leninism and Mao Zedong Thought and under the leadership and direct supervision of the older generation of proletarian revolutionaries such as Mao Zedong, Zhou Enlai, Liu Shaoqi, Zhu De, Deng Xiaoping, Chen Yun and Li Xiannian, we advanced victoriously. We gradually established a new style of socialist financial system, and in each historical period since 1949 we have given play to the function of financial work. The state financial system, through the accumulation and distribution of funds and on the basis of self-reliance, upheld the needs of the socialist revolution and socialist construction and achieved great success. This is the leading aspect of financial work since the founding of the nation. From a historical perspective, financial work since 1949 can roughly be broken into four periods.

(1) From the establishment of the PRC in October 1949 until 1956, our party's leaders and all the people progressively realized a transformation from new democracy to socialism and quickly restored the national economy and started economic construction in a planned way. A great number of the nation's regions fundamentally completed the socialist transformation from private ownership to the means of production. In this period of history, financial work served all the policies and tasks of the party's transition period. Policy decisions were correct, measures were reliable and the results were outstanding. In the early period of our People's Republic, in order to reverse the serious setbacks that went hand in hand with financial work during war, famine and inflation, the party and state made decisions for unifying the nation's

income and expenditures, controlling goods and managing cash. Through the joint efforts of the party and the people, financial and economic work was unified after a few months. We achieved a balance of income and expenditures and stabilized market prices. Later, the War to Resist U.S. Aggression and Aid Korea started, and the party and state promptly raised the policy of "resisting, stabilizing and constructing." We considered financial work to be the key and used it to assist in the War to Resist U.S. Aggression and Aid Korea, to continue to maintain stable market prices and to carry out economic and cultural construction, and we developed the socialist economy. At the same time, we reorganized the burden on people in the city and in the countryside, enabled them to rest and recuperate and beneficially restored and developed production. At that time, in only 3 years, we not only achieved victory in the war to resist the U.S., aid Korea and protect the country but also quickly restored the national economy and realized a fundamental improvement in financial and economic circumstances. On this basis, the CPC Central Committee promptly put forward a line for the transition period of gradually realizing socialist industrialization and gradually realizing a socialist transformation in the nation's agriculture, handicraft industry and capitalist industry and commerce. We started to implement the national economy's First 5-Year Plan. The nation's finances entered a new stage from supplying finances to building finances and from new democratic finance to socialist finance. At the same time, we must accelerate the restructuring of the financial and tax collection systems. Through experiments and through summarizing experience, we must gradually establish a financial tax collection system that suits the characteristics of socialist finance and that can both ensure the appropriate centralized unity of the nation toward financial resources and give full play to the initiatives of localities, enterprises and workers. This is advantageous for strengthening work in managing and supervising financial tax collection and gives play to the effect of promoting, reflecting and restricting the national economy. In order to suit the needs of financial work in this new period, we must still strengthen the building up of our financial team, realize a contingent of cadres that is revolutionary, young, knowledgeable and specialized and enable them to bear arduous financial tasks.

In order to complete the arduous tasks of the new period of financial work, on a most basic level, under the leadership of the CPC Central Committee and the State Council, we must unswervingly implement the lines, plans and policies determined by the 12th Party Congress of the CPC, continue to correct guiding ideology, further eradicate the influence of long-standing leftist errors and be attentive to preventing and overcoming rightist tendencies. This will enable our work to develop correctly in the proper direction. Currently, we have a great deal of work to do, especially concerning the following four points:

#### 1. Gradually Establish Finances That Are Stable and Balanced

In January 1954, when Comrade Deng Xiaoping was also minister of finance, he raised six policies concerning financial work. He said: "Placing the nation's finances on a regular, stable and dependable base is an important political goal." The plans and demands raised by Comrade Deng Xiaoping had a great effect on guiding financial work at that time. Currently, establishing finances that are stable and balanced is still a necessary condition for carrying out

socialist modernization and construction. To realize this basic demand we must strive to achieve gradually a rate of increase that is higher for revenue than for production. In this, correctly handling the relationship between balance, speed and results is an extremely important problem. At present, work in economic readjustment is not yet complete, financial consolidation awaits further strengthening and the rate of economic development cannot be very fast. When formulating a plan, we should not set the speed very high but must strive to achieve a plan that is of medium speed and high results. We require speed for a comprehensive balance and speed for improving results, so we will truly have speed with a delayed effect. Thus, we must place our main strength on tapping potential from within and on improving economic results and avoid the types of high speeds and low results that have occurred in the past. We also must not increase production while not increasing revenue to the point that increased production reduces revenues.

The keys to revenue are enterprise revenues and profits. Improving the economic results of enterprises is the basis for increasing revenue. We must strive to promote a comprehensive consolidation of enterprises, raise the quality of enterprises and quickly and effectively change the current situation of enterprise management and administration that is substandard and of high costs, great waste and low-quality products. We must strive to raise the "three rates," namely, the rate of sales revenue, the rate of turnover of funds and the rate of return on investment. Further, we must strive to pay attention to work in reversing losses and increasing surpluses and to reduce financial subsidies. We definitely must break through the mistaken thinking of "difficulties in avoiding losses" and of only seeking objective reasons and not tapping subjective potential. We must adopt forceful measures to solve these difficulties. The central government requires that profitable enterprises strive to increase profits and try hard to eliminate losses from money-losing products. Money-losing enterprises must by the end of next year virtually eliminate business losses and strive to reduce policy losses to the lowest possible level. We definitely must be resolute in implementing the directives and measures for reversing losses and increasing profits. We must pay attention to this work for a few years until we have achieved results. Certainly, we must also pay attention to preventing the erroneous errors of practicing fraud and diverting and concealing funds. Currently, the phenomena of "running, emitting, leaking and dripping" are extremely serious in our financial work. Any type of loan that is too large makes a great attack on revenues; we must make a resolution and carry out consolidation. We also must adopt forceful measures and prevent such illegal behavior as recklessly issuing bonuses and subsidies, indiscriminately collecting fees, indiscriminately raising prices, indiscriminately apportioning, cutting off profits and spending public funds for private gain.

On the basis of improving economic results, we must appropriately concentrate funds and cause the proportion of financial revenue to national revenue to rise steadily to 28-30 percent. Currently, the problem of decentralized funds has not been completely solved. In 1982, financial revenue constituted 25.5 percent of the national revenue. In 1983, after the state adopted such measures as collecting key construction funds for energy resources and transportation, financial revenue constituted 26.8 percent of the nation's revenue.

In order to change the situation of funds being too decentralized, the central government made an important policy decision to centralize financial and material resources and ensure the nation's key construction and determined a number of measures for centralizing funds. Current problems must be organized and implemented as quickly as possible. Any measures determined by the central government must be promulgated as early as possible; each should be promulgated as it is fully developed. If we are unable to implement them promptly or if there are various deductions and we are unable to achieve the amount of centralized funds originally estimated, then it will be difficult to balance financial revenues and there will be no way to guarantee the funds needed for the nation's key construction.

We must rationally distribute and economize on the use of funds. Development of agriculture, energy resources for transportation and scientific education is a strategic key for the future development of our economy and society; financially, we must strive to ensure a supply of funds. At the same time, technological transformations of existing enterprises and raw and processed materials industries also need to be quickly set up and need to be given a great deal of financial support. Besides these, other financial expenditures, especially administrative expenses, must be appropriately reduced. When arranging and distributing each type of expenditure, we must strive to achieve a proportion in a planned way and prevent and solve the problem of losing control of both the scale of capital construction and the consumption of capital construction funds. We must earnestly account for all expenditures taken in and produced, emphasize results, stress economizing and oppose waste.

We must do our best to achieve a comprehensive balance. We must support the policy of doing all in our power for income and expenditures both within and outside of the budget. We must reduce deficits as much as possible and achieve a fundamental balance between income and expenditures. We must strive to carry out balanced income and expenditures until the end of the Seventh 5-Year Plan, have a small surplus and establish the necessary financial reserves.

## 2. Accelerate the Restructuring of the Tax Collection System

The current system for managing the financial tax collection system is somewhat inappropriate for the circumstances of changes in economic development. Even if we have restructured a little in the past few years, the fundamental problems have not yet been solved. Comrade Zhao Ziyang recently pointed out that we must accelerate the restructuring of the tax collection system and earnestly solve the relationship between the state and enterprises and between the central government and localities. This is absolutely necessary. The goals of restructuring the tax collection system are to eliminate the maladies of "all eating from the common pot," to arouse enthusiasm in every respect, to strengthen responsibility systems, to improve economic results and to give play to tax collection's promoting, reflecting effect on the national economy and so urge the healthy development of the undertaking of socialist construction.

Implementing the substitution of taxation for profit delivery for state-run enterprises and correctly resolving the relationship between the state and enterprises are also keys to restructuring the tax collection system. The first

step in restructuring the substitution of taxation for profit delivery has already been comprehensively implemented and has proceeded fairly smoothly. Certainly the work that has been launched is not balanced and the methods still need to be further perfected. On the basis of continuing to perfect the first stage of restructuring, we must promptly enter into the second stage of restructuring. The circumstances for the second stage are complex and the tasks arduous. Currently we are carrying out an earnest investigative study and drawing up a plan. Later, according to the plans and steps approved by the State Council, we will promote it throughout the country.

Based on the substitution of taxation for profit delivery, we must further restructure the administrative management system and correctly handle the relationship between the central government and localities. Realizing the system of "dividing the kitchen to eat" has played an effective role toward overcoming impending financial difficulties and toward arousing the enthusiasm of localities to increase revenue and to decrease expenditures and manage money matters. In the future, with the launching of a restructuring of the economic system, we must also carry out a restructuring of the financial system and cause it to be coordinated with the restructuring of other economic systems. At the same time, the central government's financial resources are too few and it is difficult to ensure the state's key construction and the expenses necessary for local adjustment. There is also the problem of an unequal level of well-being between localities, and this must also be solved through restructuring the financial system. The central government's leading comrades have also pointed out that the financial reserves controlled by the central government should constitute 70 percent of the national budget, and this demand definitely must be met. Yet during the implementation we must take note of overall planning and both ensure the necessary centralized unity for the central government and enable localities to get by satisfactorily.

The financial system for capital construction must carry out restructuring based on the principle of the central government achieving a high level of centralized unity for capital construction and must concentrate the jurisdiction for managing capital construction, including the jurisdiction for managing financial affairs, in the hands of the central government. All capital construction must be channeled into the national plan. We must carry out overall planning and a comprehensive balance. At the same time, in order to prevent the occurrence of losing control of the scale of capital construction and the constant rising and falling year in and out, the state in the future not only must stipulate the total scale of capital construction each year but must also control the increase of capital construction investment and not allow the increase in capital construction investment to exceed the rate of increase of national revenue. In the recent few years we have experimented with the method of changing from allocations to loans for capital construction and in the future we will continue to expand the experiment in order to strengthen the economic responsibility system of capital construction units. At the same time we must strengthen the supervision of allocations and loans by the construction bank.

In addition, the restructuring of planning, pricing, wages and commercial and foreign trade systems must have a close relationship with finances. We must

enthusiastically coordinate, earnestly consider and cause the financial system to achieve a synchronous restructuring with other economic systems and mutually form complete sets.

### 3. Strengthen the Management and Supervision of Financial Management and Enforce Strict Financial and Economic Discipline

This not only ensures a balance between revenues and expenditures and promotes the key measure of the development of the undertaking of economic construction but is also advantageous for consolidating party ways and for spiritual and cultural construction.

We must strengthen work in financial legislation and achieve a policy of using legislation both to run the country and to manage money matters. In the past few years, we have consecutively issued laws and regulations for collecting taxes and the results have been good. In short, however, laws and regulations for tax collection are not very complete. The laws and regulations that have already been issued also need to be further improved. There are still a few fundamental laws and regulations such as budgetary laws, accounting laws, laws for costs, laws for capital construction investment, depreciation regulations and other important tax laws that must undergo adjustment, design, testing and the legislative process and must be established as quickly as possible. After we have laws and regulations we must strictly implement them and achieve a policy of adhering to existing laws, strictly carrying them out and investigating any violations. According to the spirit of party consolidation we must strictly deal with behavior that violates financial and economic discipline, and there cannot always be "exemptions" and "precedents."

We must strengthen accounting supervision and financial supervision. Currently, accounting organizations at all levels have been established one after another and have formally launched work. Our accounting organizations at all levels must earnestly perform all the auditing the constitution gives them the authority to supervise. Tax departments must realistically strengthen financial supervision and closely coordinate the work of the auditing bodies. Each region, department and unit also must respect the auditing bodies' authority to supervise and must respect the financial supervision of the financial and tax departments. Each economic department and large-enterprise institution must gradually set up internal auditing bodies, strengthen internal supervision and enforce strict financial discipline.

We must consider large inspections of financial affairs to be important work and pay attention to this for many years to come. Concerning those problems which are discovered in the large inspections of financial affairs, we definitely must differentiate according to circumstances and deal with them as necessary. We must sum up our experiences and lessons, establish and complete each system, block up the leaks and both bring about a temporary solution and effect a permanent cure.

We must raise the level of financial management. With the comprehensive launching of socialist modernization and construction, the contradiction of financial management falling behind economic development is becoming more and more

prominent. We must earnestly sum up our own experience in financial management and, based on new circumstances, substantiate and improve it. At the same time, we must assimilate the advanced experience of a few nations, determine the advantages and disadvantages and use it for ourselves. We must integrate our own national conditions and in a planned way develop work in information, forecasting and consulting. We must achieve a system of good information, sensitive responses and timely feedback in order to guarantee correct policy decisions and improve our ability to meet emergencies.

We must strengthen financial theory and policy research. Socialist finance is a new science. It has its own subjective law of development. Based on the fundamental theories of Marxism-Leninism and Mao Zedong Thought and on the reality of China's financial work, we must study and explore its objective law of development so as to provide a reference for policy decisions and guide financial work. Even though we have exerted a great deal of effort these past few years, work in this respect is still a weak link. In the future we must greatly strengthen this work and emphasize the study of domestic financial problems. At the same time we must also appropriately launch a study of foreign financial problems so as to draw lessons.

#### 4. Strengthen the Building up of a Contingent of Financial Cadres

We are faced with many tasks in starting a new situation in a new period of financial work, yet these tasks must all be completed by organizing work. If we do not have a contingent of cadres who are ideologically sound and capable, possess a keen business sense and can handle money matters, then there will be no way to complete these tasks.

Currently, the contingent of financial cadres, including cadres in tax collection and the construction bank, are, in general, competent but not of very high quality. We are currently in a stage of a temporary shortage and of the new replacing the old and are unable to meet the demands of this new period of work. In the future, we must earnestly run high-level and middle-level financial institutions and by means of all types of specialized training and comprehensively improve the cadres' political and policy level and the level of culture and science. We must cause them to have a strong party spirit and a high sense of principle, bear hardships and stand hard work, have positive attitudes and the necessary specialized knowledge and be equal to the task of all financial work.

In addition to earnestly comprehending the building up of the contingent of financial cadres, we must aid the relevant departments to build up a contingent of accounting cadres. Together with the relevant departments we must strive to run all types of accounting schools competently and carry out the training of accounting cadres in order to deliver even more specialized personnel to enterprise institutions.

We must strengthen the building up of the leading group of financial departments at all levels and achieve a group that is revolutionary, young, knowledgeable and specialized. We must be bold in choosing middle-aged cadres with ability and political integrity and that are in the prime of their

lives in order to replenish the leading group at all levels and earnest grasp work in selecting and training cadres of the third echelon.

We must strengthen ideological and political work, organize cadres to study earnestly Marxism-Leninism and Mao Zedong Thought and study the "Selected Works of Deng Xiaoping" and the "Selected Works of Chen Yun." We must strengthen spiritual and cultural construction and improve the ability to discern and restrict spiritual pollution.

What I have just said is that in this new stage of history we must study and ponder matters diligently, restructure and implement boldly and handle money matters and manage adeptly. Currently in our economic livelihood, numerous new situations, problems and experiences have already appeared, and with the new developments in our socialist modernization and construction, even more new situations, problems and experiences will continuously appear before us. We must keep abreast of the situation, liberate our thinking, have a foothold on the entire situation, have eyes on the future and earnestly study and apply the positions, views and methods of Marxism-Leninism and Mao Zedong Thought. We must analyze new circumstances, study new problems, summarize new experiences, continuously improve the level of financial management, gradually change from being passive to being active and cause financial work to serve the undertaking of socialist modernization and construction even better.

12437

CSO: 4006/471

## FINANCE AND BANKING

### NEW INDUSTRIAL, COMMERCIAL INCOME TAX RULES

Beijing JINGJI RIBAO in Chinese 12 Apr 84 p 1

[Article: "Further Reductions and Exemptions of Income Tax on Township and Town Enterprises; Ministry of Finance Issues Four New Rules in Force from 1 January This Year"]

[Text] To give further support to the development of township and town enterprises, the Ministry of Finance has recently announced four new rules providing further reductions and exemptions from income tax on township and town enterprises.

1. With regard to township and town enterprises that do not compete with large industrial enterprises for raw materials, that find it difficult to pay the industrial and commercial income tax and that are in need of special consideration in the form of tax reductions, the provincial, municipal or autonomous region people's governments may decide on concrete principles of tax reduction. Such principles must be examined and verified by the county or municipal tax bureaus and submitted to the county or municipal people's government for approval, whereupon this consideration of reduced taxes shall be granted.
2. Township and town enterprises of border area counties and counties (banners) in autonomous minority regions whose annual income in 1984 and 1985 will be below 3,000 yuan may be exempted from industrial and commercial income tax. If the total annual income exceeds 3,000 yuan, industrial and commercial income tax shall be levied on the total amount according to the eight-grade excess progressive tax rate.
3. Enterprises that utilize the "three wastes" of their own operations (waste water, waste gas and waste residue) as main raw material to produce their products and achieve profits shall be granted the special consideration of exemption from industrial and commercial taxes for 5 years from the start of their production.
4. Encouragement shall be given to those initiating basic facilities for rural commodity exchanges, and the development of rural commodity production shall be promoted. The income from cold storage and warehouses built after 1 January this year and operated with independent accounting systems by

township and town enterprises, rural communes or brigades or individual peasants shall be given special consideration of exemption from industrial and commercial income tax for 2 to 3 years from the start of operations.

The above rules shall be in force as of 1 January of this year.

9808

CSO: 4006/507

## FINANCE AND BANKING

### HARBIN SAVES 140 MILLION YUAN CAPITAL CONSTRUCTION FUNDS

Harbin HEILONGJIANG RIBAO in Chinese 7 Feb 84 p 1

[Article by Su Wenchuan [5685 2429 1557]: "Provincial Construction Bank Last Year Strengthened Supervision and Control of Allocations and Loans, Saved 140 Million Yuan"]

[Text] According to statistics provided by the Heilongjiang branch of the Construction Bank, due to strengthened supervision and control of capital construction allocations and loans by the provincial construction bank, the country was saved 140 million yuan in construction funds in 1983.

Through the year, they examined the capital construction budget, estimated to be 1.28 billion yuan, and discovered many problems such as excessive reports or duplicate calculations of the work load, underfulfilled quotas, inflated unit prices and concoction of various excuses to spend funds wantonly. An audit for the whole year brought the number down to 64 million yuan. When the Hulan County sub-branch participated in the examination of construction estimates for the special line of the Harbin No 3 Electric Plant railway organized by the Ministry of Water Resources and Electric Power, it proposed a reduction of investments by 5.3 million yuan.

A sum of 68 million was withheld because of 182 cases of irrational expenditures found in reviews of construction sites and examinations of counter payments by various branches, thus restricting unauthorized expansions of the scale of construction, random extra-plan projects, violations of the order of capital construction projects and blind purchases of equipment, entertaining and bribes, waste and extravagance, irresponsible inflation of production materials, uncontrolled expenditures, etc. While examining fund allocations, the Wolidun sub-branch in charge of the Daqing 300,000-ton ethene project discovered all sorts of "hogging the common pie" expenditures amounting to over 20 million yuan. They plugged the hole by refusing to pay.

Every branch is still closely involved in being realistic and in investigating and studying. They proposed to the departments concerned and had accepted 43 rationalization proposals for potential economizing on project planning, design schemes, plan arrangements, rational use of construction funds, etc., thereby saving funds of 8 million yuan.

12615

CSO: 4006/401

## FINANCE AND BANKING

### HUNAN CREDIT RECEIPTS, DISBURSEMENTS BASICALLY BALANCED

Changsha HUNAN JINGJI XINXIBAO in Chinese 5 Mar 84 p 1

[Article by Hu Renxin [5170 0086 0207] of the Hunan Branch of the People's Bank of China: "New Breakthrough Estimated This Year, Last Year Our Provincial Bank's Credit Basically Balanced"]

[Text] The condition of the national economy in our province was relatively good in 1983, the bank's credit was basically in balance, the issuance of currency was reduced and cash receipts increased faster than disbursements. Compared with last year, the net issuance of currency decreased by 28.8 million yuan, 37.1 million yuan less than the plan decided on by bank headquarters. Cash receipts increased 18.9 percent, and expenditures increased 18.4 percent. Sales of commodities shot up 14.8 percent; rural credit revenue increased 41.6 percent and rural currency issuance increased 21.2 percent; the total increase of all types of bank deposits was 546 million yuan; and urban savings deposits increased 29.6 percent, achieving their best level in history. The total increase in loans was 853 million yuan, with industrial and transport enterprise loans up 284 million yuan, commercial grain loans up 458 million yuan and mid-term equipment loans up 111 million yuan.

However, the process of implementing plans for credit and cash reflected three big problems. First, consumption funds increased too quickly. Last year the gross value of industrial output in the whole province only increased 7.1 percent, but expenditures on staff and worker bonuses increased 22.4 percent. Second, the portion of enterprise funds used was excessive and losses were serious. Losses by machinery and electrical product enterprises throughout the province were reported close to 300 million yuan, and the potential for the loss of enterprise funds in the future is also close to 300 million yuan. Third, some products cannot compete, and turnover is very slow. Funds for finished products of state-run industrial enterprises at the end of the year increased by almost 100 million yuan compared with the start of the year, up 16.6 percent, and the number of days for turnover of enterprise circulating funds slowed 4.8 percent compared with the previous year. The 2 percent increase set for our province by the state plan was not achieved.

This year the task for our provincial bank's credit is even more arduous since bank headquarters instructed our province not to exceed 100 million yuan in currency issuance, to increase every type of bank deposit by 410 million yuan

over last year and of these, to increase savings deposits 300 million yuan and enterprise deposits by 100 million yuan; to increase the circulation of loans only by 680 million yuan and, of this, to increase industrial loans by 285 million yuan and commercial grain loans by 395 million yuan and by 200 million yuan in short- to middle-term equipment loans to the extent that these can be effectively utilized. In order to guarantee this year's bank loans and the realization of the plan for cash reserves, the following four areas of work must be done well. First, energetically organize every type of deposit and support key state projects. Second, thoroughly strengthen the management of circulating funds. The State Planning Commission requires that this year our province accelerate the turnover in circulating funds in industry by 2 percent and in commerce by 1 percent. In the management of circulating funds, this year we will continue to support the production and purchase of goods suited to the needs of the market, reduce credit to money-losing enterprises, encourage enterprises to cut losses and increase profits, carry out seasonal review and analyses and do yearly evaluations. Any unable to fulfill the plan for the turnover of funds must hand over profits held after taxes according to regulations. Third, seriously restrict fixed-asset loans to within the norms approved by bank headquarters. The direction of credit extensions should emphasize increased production of goods in short supply, improved product quality, reduced energy and raw material consumption and development of communications and transport facilities. Fourth, restrict the issuance of currency and regulate its circulation in the market. Punitive credit measures should be adopted until administrative or criminal responsibility is determined for fraud, drawing of cash from the bank to pay illegal expenses or violations of regulations governing expenses.

12615

CSO: 4006/401

## FINANCE AND BANKING

### ROLE OF CREDIT BROUGHT INTO FULL PLAY

Jinan DAZHONG RIBAO in Chinese 16 Mar 84 p 1

[Article by staff correspondent: "Bring Into Full Play the Role of Credit; Develop Commodity Production; Provincial Agricultural Banks Suggest the Arrangement of 5 Billion Yuan in Loans for this Year"]

[Text] On the basis of giving energetic support to raising funds and exploiting credit potential, a recently convened meeting of the presidents of agricultural banks in the province proposed to make a five-billion-yuan loan to support the development of rural commodity production.

At the meeting, rural banking departments at all levels were asked to completely change from the past situation in which stress was placed on support of links in the production chain while support of circulation was lightly regarded. They were also asked to firmly rally around the development of rural commodity production and to concentrate this year on completing the following tasks:

1. Rationally determine to whom the loan will be issued, and improve the methods of providing loans. The priorities for loans this year lie in supporting family-scale specialized households (key households) and all kinds of new cooperative economic organizations. In particular, stress must be laid on supporting specialized grain households, and such specialized households as feed, chicken breeding, stock breeding, science and technology, epidemic prevention, and procurement and marketing. Major effort must be given to the building of small towns which use as pillars the four great producing industries of foodstuffs, feed, construction and building-materials, and energy. Presently, more than one billion yuan in loans have already been arranged for these areas. With regard to facilitating circulation channels and expanding commodities exchange, priority should be given to supporting state-owned commercial enterprises, collective-owned commercial enterprises, and the joint construction of the infrastructures for cold storage, warehousing, transportation, processing, and packaging by collectives and individuals to meet the needs of commodity circulation. On a trial basis, credit cooperatives are using floating interest rates for loans to the "three households." The principle of floating is that for all production and management projects encouraged by state policy, interest on loans will float

downward by 20 percent from the base interest rate, or the base rate will be implemented. Otherwise, the interest rate could float upwards by 20 percent.

2. Reorganize rural credit network outlets, improve credit services. The establishment of network outlets highlights getting a good handle on strengthening, upgrading and expanding credit. At a minimum, more than half the production brigades (villages) in the entire province should set up credit stations so that every center will be able to develop its own business. For market towns and for village brigades that are in remote areas but on vital communication links or that have a higher concentration of economic activities and savings and loan business, credit branch cooperatives should be set up. Since March 1st this year, the following settlement methods have been implemented. One is the method of settlement by acceptance of collections in different locations. The other is the method of settlement by notes.

3. To strengthen surveys and research, perform information work well. Agricultural banks at all levels should bring the qualities of broad connections and being well-informed into full play. They should combine the uses of market surveys with information data collection in order to understand market trends and to understand the trends of development and changes in production, supply and marketing. All departments of agricultural banks in provinces, prefectures, counties and lower administrative levels should appoint full-time personnel to do the information work and to set up information networks for the whole province and to develop the exchange of information among banks, between banks and enterprises, and to provide the "three households" and enterprises timely and accurate information.

12669

CSO: 4006/402

## FINANCE AND BANKING

### BRIEFS

INCREASE IN TAX REVENUE--There was a large increase in rural tax revenue in Shandong Province. In 1983, rural taxes collected throughout the province amounted to over 460 million yuan, an increase of 32 percent over last year. In the first quarter of this year, there was an increase of 63.8 percent compared with the corresponding period of last year. In recent years, the people's governments at all levels and the tax departments in Shandong Province have strengthened their tax revenue administration. The number of cadres in taxation has increased in all places and their professional training improved, while additional personnel were employed from the communes and production brigades to assist in tax collection. As for the collection of miscellaneous taxes, a method of integrating specialized control by the tax departments with assistance of a mass character was instituted, and this system brought excellent results. The collection of miscellaneous taxes in the first quarter of this year is 3.8 times the amount collected in the corresponding period of last year. Another source of increased rural tax revenue was the development of township-run and town-run enterprises. During the first quarter of this year, the amount of taxes paid to the state by township-run and town-run enterprises throughout the province was somewhat over 43 million yuan more than in the corresponding period of last year. [Text] [Beijing RENMIN RIBAO in Chinese 23 Apr 84 p 2] 9808

CSO: 4006/488

## CONSTRUCTION

### MANAGEMENT REFORM IN BUILDING INDUSTRY

Beijing GUANGMING RIBAO in Chinese 16 Apr 84 p 2

[Article by Chen Yingci [7115 5391 5412]: "After Inspecting Construction at Shenzhen, Cao Dacheng of the Ministry of Urban and Rural Construction and Environment Protection Said: 'We Must Draw Lessons From the Agricultural Reform and the Experiences in Shenzhen's Construction and Boldly Reform the Current System of Economic Management of Constructions'"]

[Text] How are we to initiate a new overall situation in the building industry and invigorate the building industry? Cao Dacheng [2580 1129 3412], director of the General Office in the Ministry of Urban and Rural Construction and Environmental Protection, who just returned from an inspection of the Shenzhen Special Zone, told reporters: "We must draw lessons from the agricultural reform and the experiences in Shenzhen's construction and courageously smash the outmoded conventions that fetter the development of our productive forces and boldly reform the current system of economic management of constructions."

Cao Dacheng said: "The construction industry has a bearing on all aspects of production and livelihood. If we want to expand reproduction, if we want to expand scientific education and if we want to improve the people's housing conditions, it is necessary to elevate and advance the construction industry rapidly. However, if we want to describe the present condition of the building industry, we may say in one word, 'three too-long's and two too-small's,'--namely its battlefield is too long, the time for completing its projects is too long and the period for refunding capital investments is too long; the number of projects completed and handed over for use is too small and the amount of newly added productive forces is too small. For instance, of the 152 large- and medium-scale projects built and delivered for use in the 2 years of 1981 and 1982, work time was more than double the record time of the past, the construction costs generally were higher and actual investments exceeded budgetary estimates by 32 percent. It is particularly the length of the construction time that is really the greatest waste in economic construction, because, first, it holds up capital funds for too long, and, second, it prevents the formation of new production capabilities to expand reproduction."

At present, the total number of staff and workers in our country's building trade is 12.56 million, of whom 5.53 million are working in state-operated

enterprises, 2.82 million in collective enterprises and 4.21 million in rural construction brigades. The degree of mechanization of the work processes is higher in the state-run enterprises, compared with the collective enterprises, and higher in the collective enterprises, compared with the rural construction brigades. However, in labor productivity the collective enterprises score higher than the state-run enterprises and the rural construction brigades score higher than the collective enterprises. The fundamental reason for this is that the state-run construction enterprises "help themselves from the big public pot," where extra work will not get you more and where lesser work will not reduce what is coming to you anyhow.

To solve this problem it is necessary to reform the system of the economic management of construction work and to institute a contract system with economic responsibilities, that is, to fix by contract the work, work time, work safety, work quality, materials consumption, etc., to assign contractual responsibilities down to each production brigade, team and individual and also to grant rewards and impose penalties according to contract. Cao Dacheng said he saw in Shenzhen how after instituting a contract system in the Shenzhen No 1 Company of China Construction's Third Bureau, the annual productivity of each person reached 17,000 yuan (while it hovered between 4,000 and 5,000 yuan in state-run construction enterprises without a contract system), and labor productivity had more than doubled as compared with before, while staff and workers also got correspondingly higher pay.

Cao Dacheng praised the methods of "inviting bids" and "submitting tenders" practiced in Shenzhen, because he believes this will stimulate competition between construction enterprises. Success in the bidding would require the bidder to try every possible way to shorten the time of completion, guarantee quality and reduce the construction cost. Competition, like stirring up the waters of a dead lake, will give the enterprises added vitality and is incomparably superior to the old method of allotting tasks in the administrative way.

For many years, the city construction and municipal government units were separated, each doing its own thing without mutual coordination or mutual cooperation. It was not possible to get a composite job completed together. Construction of a house was finished, but there was no water and no electricity and it could not be handed over for use. Roads that had been dug up were filled and those that had been filled were dug up. All this made for a great amount of waste. In requisitioning land needed for housing and industrial construction, the old rules of the early 1950's were still applied, which opened the door to many malpractices and also proved unsuitable for present-day construction requirements. Cao Dacheng expressed the opinion that one should, according to the experiences made at Shenzhen, employ a unified plan, divide the development into sections and in a method of concentrated construction, strive to finish one section first, deliver it for use and reap its benefits and establish a unified development and construction company. This company should undertake everything, from requisitions of the land, surveying, planning, the "seven items to be linked up and one item to be leveled" (i.e., linking up the road, the drainage, running water, sewage, electricity and gas and leveling the earthwork) and the selection by open bids of the work brigade to the final check and acceptance as well as the transfer to

the investing unit for use and management. He said that it is absolutely essential to reform the economic system in our construction industry; we must not again waver and hesitate or continue in futile discussions. He suggested that certain provinces and municipalities first experiment with these methods and gradually work out a method that best suits our national conditions, put our construction economy in order and have our construction industry truly advance to a place in front of the four modernization undertakings and not lag behind them.

9808

CSO: 4006/488

## CONSTRUCTION

### REFORM OF SUPPLY, MARKETING COOPERATIVES, CONSTRUCTION INDUSTRY

Jinan DAZHONG RIBAO in Chinese 23 Apr 84 p 1

[Article: "Faults Committed During Reform Are Permissible, Not To Reform Is Not Permissible"]

[Text] Vice Governor Li Zhen [2621 2182] declared in his "Report on the Work of the Government": We may permit faults to occur in our reform, but we must not permit non-reform.

In his "Report on the Work of the Government," given at the Second Session of the Sixth Provincial People's Congress, Vice Governor Li Zhen pointed out that in order to initiate a new overall situation in our economic work and to achieve the grand goal of doubling our production, it is necessary that we resolutely take the road of reform. In the last few years, we have indeed achieved certain results in our reforms in various fields throughout our province, but our progress has been at a rather slow pace, and especially in the field of circulation of commodities our reforms have not broken any new paths. The reason why our reforms did not unfold a new overall situation was mainly the persistence of "leftist" influences, so that minds would not be set free. Many comrades used, more often than not, consciously or unconsciously, a "leftist" viewpoint when observing and evaluating the new things that are being initiated by our reforms. They do not sufficiently realize the essence and the fundamentals and demand overall perfection. We are determined to go one step further in liberating our minds, break down obstructions, boldly engage in innovations and vigorously push forward in our reforms in all directions.

In the Reform of the Basic Supply and Marketing Cooperatives We Must Strive for Breakthroughs in Five Directions

Comrade Li Zhen said that we must give priority to the reform in the area of commodity circulation. Apart from paying close attention to the reform of our wholesale system and to a reduction of links in the business chain, our main focus must be on the reform of our system of supply and marketing cooperatives and on a relaxation of our purchasing and selling policies. In the reform of our basic supply and marketing cooperatives we must strive for breakthroughs in five directions. First, the cadres must be truly installed by elections of the peasants, it must be possible to get them in and get them out of their posts and it must be possible to recall incompetent ones. Staff and workers should be able to be installed and also to be recalled. Second, break down

limitations on shares to be acquired by peasants; we must demand that the proportion of peasant paid-up shares reach over 20 percent by the end of this year. Third, we must expand the scope of business and the area of services. The business should comprise everything that peasants have to buy or sell, and services should provide anything that peasants need for production. Fourth, we must break down egalitarianism in distribution and truly carry out a policy of more gain for more work. Fifth, we must have flexibility in our pricing and allow fluctuations within the sphere of commodities determined by the state. In our reforms, we must not disrupt the system of supply and marketing cooperatives. With regard to all property and funds, there must be no egalitarianism and indiscriminate distribution; tasks undertaken for the state must be fulfilled. We must further relax our purchasing and marketing policies regarding agricultural and sideline products and restrict the scope of centralized and assigned procurements. We must decide to reduce the 114 types of products originally controlled as products of the first and second categories to 63 types. We must free prices for agricultural and sideline products of the third category and for products of the first and second categories that are surplus to state procurements and assigned procurements. For these, let there be many trade channels and a direct line of circulation from production to marketing areas. Prices for fresh fruits and vegetables can be even more flexible. We must allow substandard cotton to be brought to market and allow it to be marketed and processed into various products. The procurement and marketing of grain should be managed and differentiated by grades. The grain subsidies must be contracted for with the counties and linked up with the finances of the counties. The base contract figures of the county financial administration must be correspondingly adjusted. After fulfilling all the tasks of state procurements and transfers to other localities, local transactions at flexible prices may be allowed to benefit the development of the food and fodder industries. The trade in meat, vegetables, fowls and eggs has a direct bearing on the livelihood of the people and the reform of this trade must therefore be carried out in a safe manner on the basis of experiments and according to the principle of expanding the scope for producers to do their own marketing in cities and towns. We must continue to reduce the links in the trade of manufactured goods for daily use and of agricultural and sideline products. We must take further steps to invigorate the market, have every city with a concentration of industries establish industrial trade centers and every large and medium city establish wholesale markets for agricultural and sideline products, so that direct contacts will be established between production and markets and production will be given a further boost.

#### Further Steps to Expand the Autonomy of Collective Enterprises and of Small State-run Enterprises

Comrade Li Zhen said that the provincial government has already decided to help speed up the development of collective enterprises and to invigorate the production and business of small state-run enterprises by further expanding the autonomy of these enterprises. This will permit collective enterprises under county or higher-ranking authority and neighborhood enterprises in the cities and small state-run enterprises to arrange their own production activities according to their own interests and within the scope allowed by state laws, policies and plans. This will also permit these enterprises to undertake contracts for certain results after taxes, to institute various forms of economic

responsibility systems and to link wages and bonuses to the amount of taxes and profits turned over to the state, allowing them to fluctuate according to the business conditions of the enterprises. The gains of each employee and worker will thus be linked to the results of his labor, without an upper ceiling and a lower ceiling only limited to issuing the basic living expenses and allowing one part of the most hard-working staff and workers to attain prosperity before the others. The system of having the main administrative and leading cadres appointed by higher authority shall be changed to a system of having them elected democratically or possibly also inviting applications for the jobs. The factory director, after obtaining the approval of the party organization at his enterprises, has the authority to appoint and dismiss his deputy and medium-level cadres. The enterprises may recruit their own workers on the principle of selecting the best, report them to the labor departments for the completion of hiring procedures and may institute an experimental system of labor contracts. The enterprise has the authority to retire and dismiss staff and workers, and workers are permitted to apply for retirement or to be retained on the factory census registry when going into business for themselves. Other state-run enterprises must also overcome egalitarianism; institute the principle of integrating responsibility, authority and profit; actively explore new alternatives; and courageously reform in such matters as perfecting the economic responsibility system, practicing distribution according to work performance, reforming the labor and personnel systems, etc.

#### We Must Reform the Management and Business Methods of the Building Industry and Turn to Universal Public Bidding

Comrade Li Zhen said we must resolutely reform the management and business methods of the building industry and achieve fundamental solutions for its problems of low efficiency in construction work, of long construction periods and of poor-quality construction. We must first of all break the monopolies held by certain companies and widely use the system of public bidding. The unit in charge of the project shall publicly invite tenders and shall itself select the best building contractor. Construction work teams in the counties and townships who hold construction work permits may seek construction work contracts in the cities. The basic departments at the construction project sites should treat construction enterprises from other places, whether state-run or collective-run, equally and without discrimination and actively provide them with facilities and must not create obstacles for them. It is even less permissible for the local construction companies to interject themselves and subcontract the project to collect intermediary benefits. Within the construction companies the method of "everybody sharing food from the same big pot" must be done away with. The general practice must be to have contract systems for each building and for work time, quality and expenses. Wages and bonuses are to fluctuate according to work performance, without an upper limit and a lower limit only on the issue of basic living expenses. We must give special attention to the reform of the rural administrative structure at the grass-roots, and we must complete according to plan the work of separating government administration from commune management and of establishing a township political organization.

Comrade Li Zhen said reform is a revolution of profound significance, a struggle with old ideologies, old traditions and old customs and a rejection of

old things; it is bound to meet with various obstructions. There is the possibility of reforms succeeding, but also the possibility of failure. We may permit faults to occur in our tentative efforts of reform, but we cannot permit refusing reforms for fear of mistakes. Governments at all levels must be determined to approach reforms with the correct attitude, support the reformers, protect the reformers, be apt at evolving the new things brought out in the reforms and at summing up the fresh experiences made during the reforms and become themselves an activist faction for reform.

9808

CSO: 4006/508

## CONSTRUCTION

### KEY CONSTRUCTION PROJECTS IN NINGXIA

Yinchuan NINGXIA RIBAO in Chinese 18 Apr 84 p 1

[Article by Gu Zi [0942 6327]: "Central Government Departments Concerned Allotted Additional Investment Funds for Capital Constructions in Our Region, Hastening Completion of Important Engineering Projects"]

[Text] As arranged in the state plan, this year's total investment for capital construction in our province will be increased 25.2 percent.

The additional investment funds that the state will make available for our region will be mainly used to speed up completion of key engineering projects that will have an important impact on the development of our national economy; they will constitute a large increase in the proportion of investments for the nine large and medium-size projects that were included in the state plan, among them the Dawukou Power Plant, the Taixi Coal Washing Plant, the Ningxia Chemical Plant, the Ningxia Cement Works and the Pingluo Sugar Refinery, account for 44.5 percent of the total investments for capital construction in the entire region this year, an increase of 40.8 percent over last year's figure. A change has also occurred in the structure of capital construction investments throughout our region. Investments for energy resources and communications account for 37.3 percent of the total annual investments, an increase of 25 percent over last year. Investments for common processing industries and nonproductive construction have been reduced. The people's government of the autonomous region has called on all local regions and all departments to make rational arrangements, effectively manage and effectively use the additional fund allocations, conscientiously implement the policy of "concentration of financial and material strength, guarantee completion of key projects," speed up the pace of work on important engineering projects, reduce the turnover times and as quickly as possible achieve economic results from the investments.

9808

CSO: 4006/507

## CONSTRUCTION

### DEVELOPMENT OF YUNNAN BUILDING MATERIALS INDUSTRY

Kunming YUNNAN RIBAO in Chinese 10 Apr 84 p 1

[Article by Zhu Zhengnan [2612 2973 0589] and Hu Tiande [5170 1131 1795]: "Yunnan's Large, Medium and Small Building Materials Enterprises Are Developing With Vigor and in Good Coordination; The Local Building Materials Construction Industry Went From a Deficit of 3 Million Yuan in 1977 to an Annual Profit of 22 Million"]

[Text] The Provincial Building Materials Company, by effectively managing all its subsidiary enterprises and strengthening the control and support of the prefectural, county, township and town enterprises in this line of business, has generated great development in the building industry through the province.

--Strengthening unified management. For several years, they jointly determined the long-term trade plans and on different occasions helped the prefectures of Yuxi, Wenshan, Simao and Qujing in their development of building materials and in their reform plans. Out of concern for good products of high quality, they started in 1980 to assist the local enterprises in establishing acceptance standards for the laboratories of the cement plants, worked out detailed regulations for the control of cement leaving the plant, conducted a strict general inspection of quality once every year, issued commendations to enterprises producing high-quality products and, in the case of plants with a high rate of rejects, took such action as ordering economic sanctions, ordering stoppages of production or ordering reorganizations. Through these different actions, an initial change was brought about in the unstable quality conditions of local cement.

--Giving active support. In the last few years, they provided the local enterprises with almost 100 items of major engineering equipment, almost 300 times of general equipment, almost 1,000 tons of special parts and almost 6,000 tons of dressed steel material. With the support of the local governments, they established at different times 35 small cement plants and also concentrated various fund allocations into a makeup or compensation fund of over 50 million yuan, effected technological reforms in 53 building materials plants and created new production capacities for 350,000 tons of cement, 100 million machine-made bricks, certain sanitary porcelainware, asphalt felt and other items. They also paid particular attention to supporting the collective enterprises in the townships and towns. After the company submitted reports

of the situation to the departments concerned in the central and provincial governments, it received 2 million yuan as subsidies for cement turned over to the state by the collective building materials enterprises in the townships and towns, for technological measures of energy conservation and for the development of new products. These subsidies solved the difficulties for a number of collective building materials enterprises. The state credits of 4 million yuan at low interests, specially provided for in the province for local building materials, were also mainly used to help develop the building materials enterprises in the townships and towns.

--Providing various kinds of services. The Provincial Building Materials Company established local enterprise offices and local technological service companies for the building materials industry, assuming overall responsibility for the guidance of local enterprises in production management, technological management, the planning of capital constructions and the training of staff and workers. The organs of the company will use over half of the administrative charges turned over by its subsidiary enterprises on the management of the local enterprises. They will also utilize schools and service companies solely for the purpose of training staff and workers for the local enterprises.

The Provincial Building Materials Company is paying special attention to the effective management of the entire trade in order to bring about a very rapid development of production as well as outstanding economic results. In 1983, the small local cement plants achieved a production of 1.6 million tons and the rate of standard quality products was 97 percent. The production of red bricks throughout the province reached 1.6 billion pieces. A change has been initially brought about in the constant shortages of building materials supplies of the past, and one of the changes was that the deficit of 3 million yuan incurred by the local building materials industry in 1977 has now been turned into a profit of 22 million yuan.

9808

CSO: 4006/488

## CONSTRUCTION

### APARTMENTS SOLD TO INDIVIDUALS ON SUBSIDY BASIS

Beijing GUANGMING RIBAO in Chinese 28 Apr 84 p 2

[Article by Chen Yingci [7115 5391 5412]: "The Ministry of Urban and Rural Construction and Environmental Protection Reforms System of Housing Economy, Sells Apartments to Individuals as Commodities on a Subsidy Basis"]

[Text] In a trial implementation of this method at Changzhou, Zhengzhou, Siping and Shashi, 1,619 apartments were sold; in Chengdu, 400 apartments were applied for and sold in one forenoon.

At the time of the Spring Festival this year, a most heartening item of news stirred Chengdu: the municipal land and housing bureau is to sell apartments on a subsidy basis. In an instant, everyone, in the streets and lanes, over a cup of tea or after a meal, would talk of buying an apartment. There was also unusual hustle and bustle in front of the housing bureau; a crowd of over 1,000 people went in to inquire or wanting to buy apartments. Some stuck around the whole day, watching every moment for any move in the matter of apartment sales. Starting on 11 February, for 2 days and 3 nights, an exceptional spectacle of people queuing up was to be seen. Many had brought along deck chairs, quilts, overcoats, stoves and water bottles, keeping watch day and night and waiting to register. On the evening of the 13th, there were over 500 that had joined the queue. The bureau staff repeatedly told them that numbers would be given out to only the first 400, but whenever a group of people left the queue, another group of people would join. On the morning of the 14th, in only half a day's time, the 400 new apartments had been applied for and sold. However, the crowds wanting to buy apartments would not leave and kept asking: "When will the second lot be sold," adding "We want to pay in advance" and "if there is no new apartment, an old apartment will also do."

The "sale of apartments on a subsidy basis" by the Ministry of Urban and Rural Construction and Environmental Protection is a major reform in the system of housing economy; it treats apartments as a commodity and sells them to individuals, thus changing the former method of treating apartments as items of social welfare that would be distributed without remuneration. Considering the fact that the income of staff, workers and cadres is rather low, it is stipulated that the individual buyer will have to pay only

two-thirds of the purchase price. This method was warmly welcomed by the masses when it was implemented, starting in 1982, in the cities of Changzhou, Zhengzhou, Siping and Shashi. Up to the end of 1983, a total of 1,619 apartments of a little over 83,000 square meters were sold in the 4 cities. Among the 1,619 households that had bought them, 69.3 percent paid the price in full and 30.7 will pay in installments. The large majority of buyers were employees, workers, technical personnel and teachers from middle and elementary schools.

Since the "sale of apartments on the basis of subsidies" was such a success wherever it was tried, many other cities are following the example. One of these is Chengdu. In March this year, the State Council affirmed the experiences of the places that had tried the system, and the departments concerned have an expansion of the scope of these trial implementations under consideration.

9808

CSO: 4006/507

## DOMESTIC TRADE

### THE DEVELOPMENT OF NINGXIA'S INDIVIDUAL-OWNED ENTERPRISES

Yinchuan NINGXIA RIBAO in Chinese 17 Mar 84 p 2

[Article by staff reporter: "To Meet the Needs of People in Towns and Villages, Bring the Function of Making up for Deficiencies and Omissions Into Full Play; a New Development for Individual Industry and Commerce in our Region"]

[Text] Last year, all places in Ningxia Hui Autonomous Region conscientiously carried out the spirit of the CCP Central Committee's 1983 Document Number 1 by positively supporting the growth and development of individual industries and commerce in towns and villages, and strengthening the management and education in individual industry and commerce. Thus, individual industry and commerce were able to play a larger and larger role of "making up for omissions and deficiencies" to enlivening the economies of towns and villages and to making the livelihood of the people better.

By the end of 1983, the number of licensed individual commercial and industrial enterprises in all the towns and villages of the region reached 18,172 with 24,366 people involved. Compared with 1982, the number of enterprise units has doubled while the number of persons has increased two-and-a-half times. According to a survey, individual industrial and commercial enterprises in the region hold 15.88 million yuan of funds, while their annual business volume has reached 70 million yuan. Last year, the business structure of individual industrial and commercial enterprises went through a big change. The structure has gradually changed from commercial enterprises and catering trade to the development of handicraft, transportation, renovation, repair, service and transportation-of-goods-for-sale enterprises. This is one of the characteristics of the development of individual commercial and industrial enterprises. Last year, in Helan County, there was a 61-unit increase in the number of individual communications and transportation enterprises. They used cars, and tractors to tow and transport commodities and means of production which brought convenience to the farmers' production and livelihood. In recent years there has been an increase in the use of electric appliances among rural families. To meet the demand to repair these appliances, some counties and towns set up individual repair businesses. When a farmer's television has problems, it can be repaired in a nearby shop. The second characteristic is the rapid development of individual industrial and commercial units in rural areas.

Some townships, villages and production brigades and groups also have commercial, repair, and service network outlets. Eleven administrative villages of Heicheng Township, Guyuan County, have 86 licensed commercial and industrial units to make up for the weaknesses of state-owned network outlets. The third characteristic is the strengthening of the management of individual industrial and commercial enterprises in order to protect the rights of individual workers. In cities and counties like Yinchuan, Yongning, Helan, Pingluo, and Guyuan, local chapters of individual-labor associations have been set up one after another. They have done a lot of work to protect the legal rights of the people involved in individual industrial and commercial enterprises, and have helped industrial and commercial enterprise administration departments do a good job of managing. In Yinchuan City, after the individual-labor association was set up, it connected with such units as the Yinchuan Department Store, the Xincheng Department Store and the Yinchuan City Sugar, Tobacco and Liquor Corporation to improve the wholesale service of the individual industrial and commercial enterprises, and to become capable of wholesaling while unpacking as well as wholesaling at any hour. In cities and counties like Shizuishan, Qingtongxia, Zhongwei, Yongning, and Pingluo, individual enterprise units involved in the repairing trade are carrying out technical testing in order to raise the quality and quantity of repair. Through patriotic and law-abiding education, the vast majority of individual enterprise units which have received patriotic and law-abiding education are law-abiding in management and paying taxes according to regulations.

12669

CSO: 4006/402

## DOMESTIC TRADE

### FURTHER DEVELOPMENT OF MARKET TRADE URGED

Xian SHAANXI RIBAO in Chinese 23 Apr 84 p 2

[Article by Han Wen [7281 2429]: "Foster the Establishment of Markets, Promote Circulation of Commodities"]

[Text] In recent years, when our commodity production developed so rapidly, the establishment of markets in the cities and townships of our province could by far not catch up with the needs of the daily expanding commodity trade. During the period from 1978 to 1983, trade transacted in all markets throughout our province increased one and a half times, while the total number of such markets increased by only 42 percent. Looking at conditions in our mountainous and semimountainous areas, we see that many districts and townships are still without markets. Most of the 1,224 markets now in operation are rather deficient in their structural and service qualities, space is too narrow, people on market days are too crowded, stalls are placed every which way, traffic is blocked up and conditions are altogether chaotic. Especially after the relaxation of the policy on the sale and transportation of agricultural and sideline products, the problem of establishing adequate markets has become even more acute, and the earliest possible improvement in this unacceptable condition is now a matter of urgency.

Starting out from the desire of developing rural commodity production on a large scale, include the establishment of markets in cities and townships into the overall plan for city and town construction. Markets must be set up according to the principle of "benefiting production, facilitating trade and not interfering with traffic." The locations of presently operated market places should as far as possible be fixed. The scope and layout of city and township markets should principally be determined by such conditions as size of local population and numbers of people attending the markets as well as by the special characteristics of rural economic development in the surrounding countryside. Places below the rank of county towns should plan for the villages and townships and of their historical traditions and customs and should be guided by the principle of not occupying any or occupying only as little cultivated land as possible.

Markets in cities and townships must be set up in line with local conditions, and must be planned as long-term arrangements and in a variety of

forms. Markets can be large, medium or small; can be closed or open; can be permanently or simply structured; and can be in newly built to reconstructed buildings. Based on the actual conditions of the locality in question, and according to varying situations and conditions, markets may have different patterns and structures. The structural pattern of city or township markets must harmonize with the city construction and with the appearance and general tidiness of the city. Every effort must be made to have a great variety of service facilities inside the markets, and the service facilities outside the market, such as restaurants, hotels, toilets, etc., must gradually be made to match the requirements. The rural markets must also provide certain structural and service facilities for the convenience of both the buyers and the sellers.

Raise funds from various quarters, quicken the pace of establishing city and township markets. The effective establishment of markets is an undertaking of public benefit that affects thousands upon thousands of families, and the problem of finding the funds for market constructions must be solved by relying on the combined strength of various quarters. Concrete methods can be: first, the administrative offices at all levels in charge of industry and commerce may possibly allot money from out of the market administration expenditure for market construction; second, some reasonable allotment could possibly come from out of the expenditure for the construction of commercial network outlets in cities and townships; third, the local finance departments could appropriately allocate certain special funds for the building of markets; fourth, for the establishment of markets to serve industrial or mining enterprises located at a distance from the city areas, the enterprises that would benefit could allocate some money from their welfare funds in support of setting up the markets; fifth, a bank loan or raising money from the units or individuals that trade in the markets could be taken up.

Furthermore, when city and township markets are established, several other departments, such as the city construction, public security, traffic and public health departments, are also involved, and it will therefore be necessary, as the only way to accomplish this task, to make it a joint effort, under the unified guidance of the local party and government organs, and have all these departments cooperate, each attending to the particular sphere under its jurisdiction.

9808

CSO: 4006/507

## DOMESTIC TRADE

### REFORM OF PRICE POLICY

Harbin HEILONGJIANG RIBAO in Chinese 20 Apr 84 p 2

[Article by Xue Changrong [5641 2490 2837], Director of the Price Bureau, Heilongjiang Province: "Reform Pricing Policy, Determine Prices According to Quality"]

[Text] Faced with the demands of our present economic development, certain pricing policies and commodity price control measures are very inappropriate and do not allow prices to function fully as economic levers. In order to invigorate the economy of our province further, while staying within the scope of our provincial authority, we shall relax our pricing policies and our price controls in the following respects:

1. We shall determine prices according to quality. (1) Favorable prices shall apply in the case of high-quality goods of famous brands; they shall be allowed to be higher than for ordinary products. Products that have been awarded the National Gold Prize for quality may have prices raised by up to 20 percent; those that have been awarded the Silver Price for quality may have prices raised by up to 10 percent. If famous-brand products fail in the evaluation, their preferential prices shall be withdrawn. Low-quality products must be priced low. If not improved for a longer period of time, they should be penalized pricewise. (2) We must encourage the production of new product items, new specifications and products of new design and color. Enterprises that produce this kind of product must be allowed a reasonable profit margin, and their prices may be somewhat higher than for ordinary products. After such new products have been sufficiently introduced, their prices shall be fixed at normal levels. (3) To encourage the production of items that are in short supply, and to restrict the production of items in oversupply, prices for the items in short supply may be fixed somewhat higher, and oversupplied items maybe priced with a low profit margin or at cost. (4) For products produced to good specifications or selected for excellence in design and color, such as cotton prints, nylon hose, enamelware, etc., differences in prices may be allowed, and the relevant industries and trades may be allowed a 10 percent upward or downward fluctuation in their wholesale and retail prices on the premise that a steady general price level is maintained. This year, our province prepares to start experimentally the procurement of beets at prices that are determined on the basis of quality, a method that will be widely applied next year.

2. We shall improve the pricing methods for certain commodities. (1) If the sale of certain industrial products for daily use is very seasonal, a certain seasonal flexibility shall be practiced in their pricing within a certain scope to help sales in offseason periods and speed up cash turnover, as, for instance, in the case of beer or items required especially in hot or cold seasons. (2) For certain commodities, there may be a price difference depending on whether they are sold in the cities or in the countryside, so that enterprises dealing in these commodities may get a reasonable profit and encourage the flow of agricultural and sideline products into the cities and the flow of industrial products into the countryside. (3) There shall be appropriate increases in the differentials between wholesale and retail prices. (4) In changing the method of wholesale disposal of consumer goods for daily use according to customer demand to a method of disposing of such merchandise wholesale by quantities and deciding on different prices for the different grades according to the quantity bought, such sales may be handled directly by the industrial or commercial wholesale enterprises. (5) We shall promote certain particular industrial products, especially the packing of agricultural sideline products in small packages, and allow industrial and commercial enterprises reasonable charges for such packaging.

3. We shall expand the right of retailers to set their own prices. (1) For any self-gathered or self-processed commodities, prices may be self-determined according to the regulations of the departments concerned. (2) Retail stores have the right to reduce or cut prices to dispose of goods for which there is little demand, that have long remained on the shelves or that have been damaged and suffered in quality, but such disposals must not take place internally in a department or by private distributions. (3) Large-scale stores may be permitted to sell wholesale and retail and may determine favorable sales commissions on their own, based on the retail prices, to encourage retail enterprises to sell the goods diligently and expeditiously.

4. We shall continue to broaden the authority for price management. (1) In the case of third-class small industrial commodities manufactured in our province, all prices shall be determined in consultation with industry and commerce, which means the 600 types of commodities now already freed from controls shall be increased to over 2,000 types. (2) Third-class small industrial commodities imported from other areas may have their prices fixed depending on prices in their places of origin, and if imported at high prices, they may be sold at high prices, and if imported at low prices, they may be sold at low prices; this will help encourage price competition among enterprises. (3) If consumer goods of daily necessity are imported by legal methods at adjusted prices beyond the plans for raw materials and fuel production, the out-of-factory prices may fluctuate upward or downward by 10 percent and retail prices downward without limits, but in case of upward fluctuation it will be required to report to higher authority for approval according to the limits of administrative authority. (4) In the case of less important commodities of the second category of consumer goods for daily use, it is permissible for prices to fluctuate downward and for out-of-factory prices and the prices for state allotments in consultation with industry and commerce to fluctuate upward and downward.

## DOMESTIC TRADE

### IMPROVE ECONOMIC RESULTS IN COMMODITY CIRCULATION AREA

Harbin HEILONGJIANG RIBAO in Chinese 15 Mar 84 p 2

[Editorial: "Improve Economic Results in Area of Circulation"]

[Text] The recent national economic work conference held by the State Council emphasized that whether or not economic work is unswervingly carried out must depend on taking the improvement of economic results as the central principle. It further concluded that this is the main indicator to judge whether the work of economic departments and enterprises at various levels is good or bad. The main tasks for economic departments and enterprises at various levels this year are to comprehend and implement this principle and to strive to create the new situation of improving economic results. With regard to our province in the area of circulation, improving economic results is even more important and urgent.

The tasks confronting our province's commercial work in 1984 are to wage a good fight to make a turnaround in recovering losses and increasing profits, quickly shorten the disparity with advanced domestic areas, basically eliminate losses due to management and hold to reasonable limits those losses due to policies.

Circulation is the link bridging production and consumption and it is a condition for and a continuation of production. The use-value and the value of all commodities formed in the process of production can be realized, and the economic results created by production can be turned into actual economic results only by passing through the intermediate link of circulation. Right now, due to the spread of household output-linked contracts as the main form of the production responsibility system, another great liberation of rural production strength has appeared, following the continuing land reform. The rural economy has begun the transformation from a self-supporting or semi-self-supporting economy toward relatively large-scale commodity production and urban industry; transportation and energy production have had marked increases also. Industry and agriculture have developed, commodities are more plentiful, daily consumption articles are shifting from a seller's market to a buyer's market and problems whereby things are "hard to buy" and "hard to sell" have appeared in many places. This demands that we make great efforts to reform circulation links, enliven circulation and vigorously improve economic results in the area of circulation, making it suit the development

of the whole economy in order to ensure the ultimate improvement and realization of economic results in society.

Right now more and more comrades are beginning to recognize the relationship and role between improving economic results in the area of circulation and realizing society's ultimate economic results. However, there are still some comrades who have been unable to keep up with the new situation and the new alteration made in the national economy. They say something like "Circumstances are excellent, but buying and selling are hard to do," feel powerless to improve economic results in the area of circulation, lack confidence and hate to let go of such things from the past as independent household management, sellers' markets, extensive state monopolies or allocated purchases or "eating from the common pot." These comrades should transform their understanding and keep up with the times as soon as possible.

Socialist commerce stresses results in order to fulfill its basic tasks even better. It encourages the production of commodities, develops commodity circulation and makes the urban and rural economies flourish in order to meet the needs of the people's daily increasing material culture and to serve in building socialist modernization. The fundamental laws of socialism have determined that only by broadening commodity circulation, improving economic management, raising service quality and satisfying consumption demands can socialist commerce encourage the development of production, thereby increasing profits. Any economic results achieved that deviate from or affect the implementation of the basic tasks of commerce are not valid economic results and are inconsistent with the character of socialist commerce. At present, there are some unhealthy tendencies in the improvement of economic results which should draw great attention, for example, an unwillingness to engage in or consider reducing the scale of commodities that are unprofitable, disregarding production units and consumer demand; a unilateral tearing up of economic contracts of commodity producers; and an unwillingness to assume any economic responsibilities with changing market conditions. Among commercial enterprises, there is nothing but competition and no stress on cooperation, information blockades and the shifting of blame onto others; toward the consumer there is the raising of prices while cutting quality, substituting inferior goods for quality goods, mixing different things in order to defraud or measuring short by weight or number. These mistaken methods detract from the reputation of socialist commerce and are opposed to the fundamental principles and tasks of socialist commerce.

Whether work in the area of circulation shifts to the path centered on the improvement of economic results is related to the important question of whether the commercial battle line preserves ideological and political unanimity with the Central Committee. We must implement this year's task to promote economic work in the area of circulation with the spirit of party rectification. We must further improve our understanding, strengthen confidence, break out of old conventions and old stereotypes and boldly blaze new trails. We must persevere in the correct direction of socialist commerce, stress commercial morality, uphold commercial regulations and immediately put the satisfaction of consumer demands and the encouragement of production development at the top of the list in our management philosophy. We must

concentrate our strength and in a solid, down-to-earth way, wage a good fight to make a turnaround in recovering losses and increasing profits this year. In the area of circulation we must create a new situation in the improvement of economic results.

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## DOMESTIC TRADE

### LIBERATION OF CONTROLS OVER INDIVIDUAL COMMERCIAL UNITS

Guangzhou YANGCHENG WANBAO in Chinese 3 Feb 84 p 1

[Article by staff correspondent Lin Wen [2651 2429]: "Sell Small Commodities Freed of Price Controls, Repairing Trades and Service Trades Can Set Their Own Selling Prices and Can Also Set High Prices for High-Quality Goods"]

[Text] Individually run enterprise units which procure locally or from outside sources any of 510 small commodities which are already freed of price controls, should set their own selling prices based on the procurement price plus expenses. No limitations should be set on the prices. This is the latest regulation issued by the Guangdong Provincial Administrative Bureau of Industry and Commerce.

The new regulation also says that since shops in different places are restocked from varying sources of goods from different places, it is possible that in one market there may be two different retail prices. This is permitted. Repair and service businesses can also set a high price for high-quality products. Prices may be determined by grade and quality of a commodity. Commodities which are disposed of by negotiated prices can be sold at floating prices. Prices should not be fixed.

12669

CSO: 4006/402

## DOMESTIC TRADE

### LOCALLY RUN ENTERPRISES FLOURISH

Harbin HEILONGJIANG RIBAO in Chinese 4 May 84 p 2

[Article by Hou Lisan [0186 4539 0005] and Zhao Guozhen [6392 0948 4394]:  
"Township and Town Enterprises Run by Local People Are Flourishing"]

[Text] The Inevitability of the Development

In the course of the rural transformation from a self-contained and semi-self-contained economy to a large-scale community economy, the township and town enterprises run by local people rapidly developed, especially after the promulgation and implementation of Documents 1 and 4 issued by the Central Committee this year. Out of the 955 enterprises run by local people in Xinglong Town of Bayan County, 581 are trading firms, 80 are in the catering trade, 52 are in the dress-making business, 93 are handicraft industries, 52 are watch, bicycle and electric appliance repair shops and similar enterprises, 96 are engaged in transportation and several others are hairdressers, ironmongers, art dealers, photographers, etc. In the past, Xinglong Town had only several tens of state-run and town-run industrial and commercial enterprises, operated in a listless and miserable manner, so that people used to say, "Xinglong is not 'xinglong' [prosperous]." In present-day Xinglong, vendors' stalls line both sides of the streets, abundant like trees in the forest, and the free markets are flourishing. Wherever you look, there are restaurants, barber-shops and all kinds of repair shops, and Xinglong is on the way to becoming an economic and cultural center for the whole Xinglong district. People are saying, "Xinglong is now really getting to be 'xinglong.'"

Enterprises run by the local people are small but sharp, and the local people work with little investment, have a quick turnover of funds, give warm and attentive service, easily adapt to changes and are therefore able to exist in a system of market regulation and to develop despite competition by powerful state-run or collective-run industrial and commercial enterprises. This clearly shows that they meet the needs of commodity production, that they are exactly what the promotion of economic prosperity demands and that they have vitality.

#### The Necessity of Their Existence

First, promoting the development of the rural division of labor and commodity economy. People who in the past were engaged in purely agricultural production

are now in large numbers turning to industrial and commercial service trades in townships and towns, going the road of "leaving agriculture without leaving the villages and engaging in industry and trade without going to the cities." In the several rural collective townships that we have investigated, among them Xinglong, Kangjin, Binxi, Youngyuan, Wujian and Lalin, households that have turned from farming to industrial or commercial occupations are, if it comes to the highest figures, about 30-40 percent or, if it comes to the lowest figures, about 10-20 percent.

Second, encouraging every person to turn his particular abilities to best account and having anyone with special skills or knowledge give full play to such special talents. A person who knows how to make beancurd should open a beancurd plant. A person who knows how to make dresses should open a dress shop, capable businessmen should trade and all the people who have some manufacturing or handicraft skill should fully utilize these abilities. Liu Yanhai, a man from Zhoujia Town in Shuangcheng County, had no technical abilities but was a very active and enterprising man and had the widest connections and a talent for buying cloth and marketing dresses. He used these qualities to start a dress-making shop. His annual income last year exceeded 10,000 yuan, and the women working for him each also earned over 1,000 yuan. One capable man can bring about the uplifting of quite a large sector.

Third, making life easier for the people. In the past, people had to line up at the designated beancurd supply stations, but now the people-run beancurd plant has beancurd shoulder-carried or carted through the streets, with the vendors calling out their wares and bringing the beancurd right up to the doorsteps of the consumers. Xinglong is about 1 km away from the railway station. In the past, when transportation was operated "officially," there would be no waiting for latecomers or no stopping before reaching the final destination. Now the people have started operating 30 "donkey jeeps," always ready whenever travelers need them, always going where they are asked to go, stopping at any place desired and allowing people to get on and off whenever they want.

Fourth, disposing of surplus labor and putting funds held by the masses to good use. Not only are there idle personnel in the townships and towns, but there is a large amount of surplus labor in the villages generally. It has been figured that the total investment of people-run enterprises in each township and town is several million yuan. In the past, this money was "floating money" or "dead money" buried at the bottom of some containers. It is now being put to use to operate enterprises and made to play its full role as capital.

Fifth, helping to increase incomes and bringing prosperity to some people. Xing Baoliang, a man of Yongyuan Town, had a family of six, who depended on this one man's monthly income of a little over 60 yuan and found life very difficult. Later, he started a grocery and not only was able to repay all his debts but attained a certain prosperity. On investigating what happened in the various towns, we found that all people-run enterprises had fairly good incomes, and there had been so far none whose income had declined or that had gone bankrupt.

## The Problems That We Are Faced With

The operation of people-run enterprises has only just started, and certain problems still remain to be solved.

First, many leaders and relevant departments in the townships and towns have not yet fully recognized the new situation caused by the swift and vigorous development of people-run enterprises. Some state-run, township-run or town-run enterprises, who had become accustomed to run things as their own monopolies, regard people-run enterprises as a kind of "threat" and try to restrict them by every means. There are also some cadres who say: "We have been in the revolution for 30 and 40 years and now earn only 50 or 60 yuan, while someone with an industrial or commercial business can get rich and make as much as 10,000 yuan a year. That really makes it hard to take." Presently, there is need for more propaganda and education.

Second, among the people-operated enterprises the majority are trading and catering enterprises, few are processing or production enterprises and there is also much irrational development. If we do not apply some prompt planning and guidance, the people who run these enterprises may suffer losses.

Third, the people-run enterprises have no department for overall administrative control, which is detrimental with regard to educational affairs and administration. The Central Committee's Document No 4 makes it clear that commune- and brigade-run enterprises, enterprises jointly run by groups of peasants and other forms of cooperative enterprises as well as those run by individuals all belong to the category of township- and town-run enterprises and must be administratively controlled by the enterprise control departments of various ranks in the townships and towns, which must carry out guidance and render service. The departments in charge of trade, taxes, traffic, monopolies, etc. must do their best to support the development of the said enterprises.

Fourth, construction in the small towns and townships cannot keep pace with the needs arising from the development of rural industry and trade. Many people-run enterprises complain of "four difficulties," namely, the difficulty of finding suitable land, of finding houses to rent, of finding space to put up a stall and of doing business. It is at present urgently necessary to arrange for space at the market towns for people who want to take up some industry or trade and to avoid the private and indiscriminate building which in the future will be the cause of new difficulties in small-town and township construction.

9808

CSO: 4006/488

## DOMESTIC TRADE

### MARKET TRENDS IN RURAL AREAS

Changsha HUNAN JINGJI XINXIBAO in Chinese 25 Apr 84 p 1

[Article by Bin Bin [1755 1755]: "Forecasting Trends in the Demand for Commodities from Peasant Households"]

[Text] According to a spot investigation of 1,270 peasant households in 37 counties conducted by the provincial bureau of statistics, the purchasing power of peasant households has greatly increased this year and there have been changes in the demand for commodities:

First, peasant households are in urgent need of increasing their fixed assets of a productive nature. The amounts that will be spent on medium and small farm implements and machinery for sideline production will increase over 20 percent over last year. Among these, the increase for motor vehicles will be 20 percent, for motorized threshers 35 percent, for flour-milling machinery and rice mills 83.5 percent and for manual rice-threshing machines and rubber-tired handcarts 1.6 times, but the demand for tractors will decline 10.6 percent.

Second, there will be a fast rising demand for means of production. This year the purchases of chemical fertilizer will be 3.2 percent over last year's, agricultural chemicals 9.7 percent more, plastic sheets 1.4 times more and the demand for diesel oil and gasoline used in production 1.4 times and 2.5 times more, respectively.

Third, the "building fever" in the countryside is now only in its early stages. The purchases of building materials will increase 1.5 times compared to last year. Among building materials, demand for steel products will increase 1.3 times, for lumber 97.6 percent, for cement 1.1 times, for glass 4.2 times and for bricks and tiles 1.2 times and 2.7 times, respectively.

Fourth, electrical household appliances have already become goods in great demand in the countryside. The demand for watches and the other "four old items" is steadily growing. Purchases of durable goods will increase over 57 percent compared to last year. This year, the demand for TV sets will be twice that of last year, demand for tape recorders will increase 69.6 percent; for radio receivers 1.1 times; for electric fans 2.4 times; and for bicycles, watches and sewing machines 40.7 percent, 18.2 percent and 95.6 percent, respectively.

Fifth, consumption of clothing tends toward medium- and high-quality merchandise. Demand for woolen fabrics will increase 36.6 percent, for silk and satins 14.2 percent, for woolen yarn and woolen knitted goods 76.1 percent, for leather shoes 49.3 percent and for chemical fiber materials 3.4 percent, but demand for cotton cloth may decline 5.4 percent.

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## DOMESTIC TRADE

### BRIEFS

INDIVIDUAL INDUSTRIAL, COMMERCIAL HOUSEHOLDS--Up to the end of last year, individual industrial and commercial households increased to 5,863,000 and 7,548,000 individuals, respectively. Compared with 1982, cities and towns increased 53 percent and villages 190 percent. At the recent National Conference for Directors of Industrial and Commercial Administrative Management Bureaus in Beijing, opinions of central leading cadres were transmitted: Individual industrial and commercial enterprises are developing neither quickly nor numerous enough and still require continued development. Our country has entered a new period of great commodity production development. The tasks of commodity circulation and circulation channels are still great. The conference proposed the encouragement and support of short- and long-term transport of goods and great efforts to develop transport households; every area must set up urban and agricultural sideline product wholesale markets, permit a portion of peasants to arrange their grain allotments and go to towns to market them and encourage peasants to engage in feedstock, food, building materials and small energy industries either collectively or with collective funds. [Text] [Beijing SHICHANG in Chinese 5 Mar 84 p 1] 12615

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## FOREING TRADE AND INVESTMENT

### FUJIAN EXPORTS U.S. NIKE BRAND GYM SHOES

Fuzhou FUJIAN RIBAO in Chinese 30 Jan 84 p 1

[Article by Wang Liebo [3769 3525 3134]: "Our Province Exports a Large Volume of High Quality U.S. Nike Brand Gym Shoes"]

[Text] At two recent national shoe export work conferences, leading comrades of the Ministry of Foreign Economic Relations and Trade and the Head Office of the China National Light Industrial Products Export and Import Corporation praised the achievements of our province in producing and exporting U.S. Nike brand gym shoes as "an inspiring breakthrough." They expected Fujian to make greater success and achieve the target of exporting several million pairs a year in the next few years.

The U.S. Nike gym shoes produced in Fujian are export commodities of an established trade mark. Thn Quanzhou and Fuzhou gym shoe factories, jointly run by industrial and trade departments, imported gym shoe production lines and began production in September 1982 and April 1983, respectively. By the end of 1983, over 300,000 pairs of Nike tennis shoes and light-colored "cold-adhesive" [leng zhan 0397 4724] jogging shoes had been produced; 264,000 pairs had been sold to the United States; and over \$1.1 million in foreign exchange had been earned. Fujian province exported over half of all Nike shoes exported from China in 1983. Ninety to 95 percent of the products were grade A. Both the quantity and quality were better than the seven other factories making Nike gym shoes in China.

Nike gym shoes manufactured by the U.S. Nike Rubber Shoe Company, founded only 12 years ago, is one of the top brands in the world. Therefore, the Nike Rubber Shoe Company places very strict demands on suppliers. It has a comprehensive set of inspection standards. In early 1982, the Quanzhou gym shoe factor received the first order from the Nike company to produce Nike tennis shoes. With the assistance of American technicians, the workers and technicians of the factory worked for several months and succeeded in trial-production in September 1982. In a year or so, this factory has exported over 230,000 pairs. The Fuzhou gym shoe factory began producing gym shoes in April 1983. With the support and coordination of all circles, this factory adopted effective scientific

management measures, implemented a strict reward and punishment system and strengthened labor discipline. After over 3 months of hard work, 95 to 97 percent of the light-colored "cold-adhesive" Nike jogging shoes produced by this factory were up to standard. The Head Office of the China National Light Industrial Products Export and Import Corporation called the first meeting of the national gym shoe coordination groups in Fuzhou at the end of November last year to organize representatives of all provinces to visit the Fuzhou gym shoe factory and publicize its experiences.

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## FOREING TRADE AND INVESTMENT

### SIGNIFICANCE OF SHENZHEN SPECIAL ECONOMIC ZONE DISCUSSED

Guangzhou YANCHENG WANBAO in Chinese 27 Jan 84 p 2

[Article: "China's Famous Economist Xu Dixin Delineates in His Article the Profound Significance of Competently Handling the Shenzhen Special Economic Zone"]

[Text] China's famous economist Xu Dixin [6079 3321 2450] recently published an article entitled "A Re-recognition of the Shenzhen Special Economic Zone [SEZ]." He discussed the importance of competently handling the SEZ and set a high value on dealing with the significance and effect of the SEZ. This article was published on the 23<sup>rd</sup> of this month in the SHENZHEN SEZ DAILY.

In the article he says that the directives of the party and state are clear in stating that SEZs are being opened up to attract foreign investment and especially to attract advanced technical equipment. At the same time, they also can be used to study advanced experience in enterprise management. We can then say that starting an SEZ and developing the economy of an SEZ benefit both socialism and the carrying out of China's socialist modernization and construction. Inherent in this most certainly exists the problem of "the nation as a chess game." Each province and region in the country, especially the province's and cities around the SEZs, must proceed from reality and as much as possible support the SEZs. Likewise the SEZs must make use of their special conditions to support the relevant cities and provinces. Certainly, under the premise of all the benefits of socialism, carrying out "the nation as a chess game" is not a simple problem.

Xu Dixin stated in his article that he had made many contacts with Hong Kong's industrial and commercial and business circles and had gotten an important impression: How well the Shenzhen SEZ is run has become an important factor for a few people in Hong Kong's industrial and commercial circles in determining whether they should leave or remain in Hong Kong. They say that the Chinese government states that after 1997, Hong Kong will preserve its capitalistic system. What is the proof? The proof is the economy of the Shenzhen SEZ. If the economy of the Shenzhen SEZ is competently run and if capitalist enterprises can be preserved, then they can advantageously seek profit and develop. In that case, who would be willing to go to a foreign country to be a "second-class citizen?" I have met many Hong Kong citizens and many Chinese capitalists who love their native country. They fear,

however, the "five opposes" and they fear revisionism. They are even more frightened by the 10-year "cultural revolution" and can only lament "two tears for being reined in and for looking from a distance at the beautiful rivers and mountains of their mother country." The first thing they see when looking at the beautiful rivers and mountains of their mother country is the Shenzhen SEZ and the economy of the Shenzhen SEZ. In this way we can say that the competent running of the Shenzhen SEZ has become a specific model not only in the eyes of Hong Kong's industrial and commercial circles but also in the eyes of Hong Kong's more than 5 million inhabitants! It has become an important factor in restoring Hong Kong's autonomy and steadying the confidence of the citizens of Hong Kong for 1997.

Xu Dixin also stated in his article that in addition, the competent running of the Shenzhen SEZ has also become an important factor for the return of Taiwan to the mother country and for assuring our Taiwan compatriots. This is also something that I learned from my contacts with Hong Kong. In January 1982 I made a speech concerning this; we are only considering the problem of how to develop the economy of the Shenzhen SEZ and have not yet raised this to a strategic level. We have not yet taken the socialist modernization and construction of the nation as a chess game, and we have not realized the strategic significance of restoring Hong Kong's autonomy and returning Taiwan to its mother country and summed up our thinking. Only when we consider the effect and influence of the Shenzhen SEZ on a strategic level can we fully recognize the importance of the SEZ.

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NEW TRENDS IN XIAMEN SEZ FOREIGN INVESTMENT

Guangzhou YANCHENG WANBAO in Chinese 27 Jan 84 p 2

[Article by Qu Maoyi [3255 5399 5669]: "A New Situation Has Arisen in Xiamen for Bringing in Foreign Investment; Last Year the SEZ Completed the "Three Hook-ups and One Leveling" and This Year Major Efforts Will be Placed on Ground Construction"]

[Text] The Xiamen Special Economic Zone [SEZ], within the borders of its first stage (one square kilometer) of construction, at the end of last year completed the basic construction of "three hook-ups and one leveling" (hooking up water, electricity and roads, and leveling the earth). Starting this year, the main emphasis will be placed on ground construction. Due to the investment environment, a new situation has arisen for bringing in foreign investment.

Since the second half of the last year, the Xiamen SEZ, with the support of the relevant departments of Fujian Province and Xiamen, greatly accelerated the pace of construction. Concerning the construction of underground installations, the amount of construction completed every month in the second half of the year was 2.8 times greater than the amount of construction completed each month in the previous year. Concerning ground construction, the area of construction completed in the second half of the year exceeded the total area of construction in the previous 2 years. Currently, construction of the eight main roads of the Xiamen SEZ has been completed, and their total length is 4,400 meters. Underneath the roads are buried water supply pipelines, drainage pipelines, electric lines and gas lines. In the areas that have been leveled, there are five or six spots in which signs bearing the names of factories have been inserted into the ground. Soon, within a planned scope, construction of these factories will commence.

Fujian Province's construction of the Xiamen SEZ is set out in three areas: 1) Construction of the new Dongdu Port, 2) construction of an international airport and 3) the construction of the SEZ itself. The Dongdu port and airport were completed last year in the first phase of construction and are being used. This causes communications between the Xiamen SEZ and the outer areas to be more open by sea and air. Since last year, a new situation of attracting foreign investment has appeared in the Xiamen SEZ. The SEZ and foreign businessmen reached 23 agreements, and foreign businessmen have already signed contracts worth 104 million yuan in investments, a 4-fold increase over the 2 previous years.

TRANSPORTATION BETWEEN HONGKONG AND SHENZHEN IMPROVED

Guangzhou YANCHENG WANBAO in Chinese 10 Feb 84 p ]

[Article by Jia Shen [4471 3947] and Shi Ai [4258 5337]: "The Passageways to Shenzhen Will Be More Open; The Existing Luohu Bridge and Wenjin Ferry Are Being Expanded and It Is Planned That Such Ports As Shatoujiao, Dameisha and Xiaomeisha Will Be Opened"]

[Text] Shenzhen and Hong Kong are very close in distance yet also very far away. In order to attract even more foreign investment and in order to create favorable conditions for Hong Kong and foreign investors, Shenzhen, excluding the effort that it has expended to solve the basic construction of the "five hook ups and one leveling" of putting in roads, hooking up communications, supplying electricity and supplying water, has also done a good job at opening thoroughfares to outlying areas, especially the sea routes to Hong Kong. Shenzhen has placed this work on the order of the day. According to the comments of a few comrades, the thoroughfares are comparable to the passageways of the SEZ. We must accelerate the construction of the SEZ, open the gates a little wider and open a few more gates.

Currently, the only ports between Shenzhen and Hong Kong are the Luohu Bridge and the Wenjin Ferry. Trains run on both lanes of the Luohu Bridge, and 90 percent of people entering and exiting use this route. Cars traverse the Wenjin Ferry; every day more than 2,000 pass through and it is often congested. Clearly, merely depending on two ports cannot suit the constant comings and goings of people and freight.

In order to change the situation of passageways between the two areas being too impeded, the relevant departments have already decided to build a new pedestrian bridge in the vicinity of the pedestrian lane of the existing railroad bridge. This will facilitate the flow of people entering and leaving Shenzhen. Thus the situation of the Luohu Bridge being jammed with people on holidays will be greatly improved.

The relevant departments also plan to build a new bridge at the Wenjin Ferry that is 11.5 meters wide and 52 meters long, and this bridge will take up some of the flow of traffic from the old bridge. Construction of this bridge started on 9 January of this year. After it is built, the capacity of passageways between Hong Kong and Shenzhen will be greatly improved. It is estimated that this bridge will be completed in June of this year.

In the past there has been no passageway between Shatoujiao of Shenzhen and Hong Kong's New Territories. This newly added port will connect Shatoujiao and Shaheqiao and construction will be completed next month. After this passageway is opened, Hong Kong's passenger trains can pass through Shaheqiao while brushing by Shatoujiaozhen and will not pass through the stops from Shenzhen to Shiyantian, Dameisha, Xiaomeisha and Dayawan, a path which is less tortuous than a circle. This bridge is being jointly built by Hong Kong and Shenzhen. It is 21 meters wide and is wide enough for three car lanes, and neither side has a pedestrian walkway.

In addition, two passageways are also being planned. One is a large highway bridge. This is the starting point of a high-speed highway between Shenzhen and Hong Kong. The high-speed road will start in Hong Kong's New Territories in the south, and Hong Kong cars passing through the high-speed roads of Tunmen and Yuanlang, after passing over this bridge, can enter Shenzhen or travel on to Guangzhou. The survey work for this bridge has been completed and the bridge design is being drawn up. The second project is the Dameisha and Xiaomeisha special tourist port. This is a ferry port, and in the future Hong Kong travelers will be able to ride the hovercraft to Dameisha and Xiaomeisha on vacation. Construction has already begun on this port and it should be open to boats by the end of the year.

Shenzhen and Hong Kong Authorities through friendly discussion have reached agreements on these newly opened and expanded passageways.

According to the preliminary comments of the Shenzhen SEZ authorities, construction of the boundary between the Shenzhen and SEZ and areas that are not in the economic zone (called the second line) is completed, and after being checked and approved by the state, it will be used. This will have the same measures as the boundaries of foreign countries (called the first line).

"Blocking the second line and having an unimpeded first line" describes what we must implement in the SEZ. It is the same as two aspects of one situation. If we do not block off the second boundary, then we cannot call it a SEZ. If there is not an unimpeded first line, then the SEZ will not play the role of being the "window" and the "path" for bringing in advanced technology and management methods from abroad. Thus, achieving these tasks has great significance for accelerating the construction of the SEZ.

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## SPECIAL ECONOMIC ZONES

### WAGE SCALE READJUSTMENT IN SHEKOU DISTRICT REVIEWED

Guangzhou YANGCHENG WANBAO in Chinese 27 Jan 84 p 2

[Article by Gong Zhijin [7895 1807 3866] and Lao Jiguang [0525 0370 1684]: "Proceed From Arousing the People's Initiative--How Does Shekou Industrial District Reform Its Wage System?"--in the column "On the Road of Exploration"]

[Text] In July 1982, Shekou Industrial District began to consider the reform of wage scales. Since then, 70 to 80 meetings of varying size have been held concerning this issue, and the plan for reforming wage scales has been revised three times. A responsible person from a labor service company told us: "It would be difficult to characterize our current plan as perfect." In spite of this, asking them to discuss the problems they encountered and considered in the reform still can be enlightening.

The most controversial issue was whether to maintain the basic wage, namely the original wage scale of staff and workers. Some people contend that it should be abolished. They said: "Otherwise, it can only be considered an improvement, not a reform." However, after discussion, most people agreed to maintain the scale. Their reason: A person's seniority is generally in direct proportion to his experience. People with higher grades usually have more seniority and relatively greater ability to handle and solve problems. Therefore, one's current job should not be the only factor to be considered in determining his wages. We must also note that wages are of vital concern to every staff member and worker. Due to historical and social reasons and the weaknesses in past theoretical studies, the wage issue has many "entanglements"--which can "neither be cut off nor put in order." It is impossible for the reform to take big strides; it can only proceed one step at a time.

The current plan for reforming the wage system for the most part takes into consideration the practical interests of staff and workers in many fields. In the 15-grade wage scale, each grade between 6th and 13th has two steps, A and B, and each step B has three sub-steps, one, two and three. In the same grade, step B is higher than step A, sub-step two is higher than sub-step one, and sub-step three is higher than sub-step two. Take grade eight for example: Step A is 95 yuan, sub-step one of step B is 98 yuan, sub-step two is 101 yuan and sub-step three is 104 yuan.

There is a reason for this detailed classification. For example, grades six and eight are the ceilings for the position of chief salesman. One grade

above the position of chief salesman is the position of manager or director. One enterprise cannot have many managers or directors; therefore, some people may never become managers or directors. When a chief salesman reaches the highest grade for his position--grade six--and if he is not promoted to the position of manager, in order to reward his continuous hard work and contributions in wage readjustment, he can be promoted from step A to step B in grade six and then from sub-step one to sub-step two in step B and so on.

A weakness in the current wage system is that it is not directly linked to prices or the staff and workers' living and consumption levels. Shekou Industrial District noticed this problem. Last year it began to publish the staff and worker cost of living index each month. The labor service company had two persons in charge of gathering information and compiling the index. At the same time, Shekou district also stipulated that staff and worker wages should be readjusted once every other year. If the cost of living index surpasses 15 percent and affects the actual living standards of staff and workers, their wages will be promptly readjusted. What is completely new is that the wage scale of over 1,200 staff and workers in this wage readjustment was not evaluated by the masses through examination of so-called "several ups and downs." Instead, it was determined by central groups of various units consisting of managers or directors, members of CPC branches and section chiefs of trade unions. A responsible person from the labor service company said: "This reform actually took us 4 months. If we use the previous method of face-to-face evaluation, we probably will not be able to do it even if we double the time."

"What is the masses' reaction to this reform? Are they satisfied?" we asked. "Generally, their reaction is quite good. Our plan for the reform of the wage system is relatively rational. Leading cadres of all units regularly call for a vote of confidence by the masses which, if they fail to pass compels them to step down immediately. Therefore, they must handle affairs impartially."

Of course, it is not easy to be really impartial and equitable in the evaluation of wage scales. Their plan of the reform may have weaknesses of one kind or another. However, their spirit of bold exploration and practice is indeed worth praising.

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## SPECIAL ECONOMIC ZONES

### BRIEFS

AGRICULTURAL RESEARCH CENTER--Before next year's Spring Festival, the building of the Shenzhen Agricultural Research Center will be towering aloft by the Shennan Road. The Shenzhen Agricultural Research Center is a joint investment of the central authorities, Guangdong Province and Shenzhen City. Its major task is to import advanced agricultural technology from abroad and popularize it in China. At the same time, it will study and experiment with new varieties and increase the competitiveness of domestic farm products on the market. With Shenzhen Mayor Liang Xiang [2733 3276] presiding, a construction preparation work conference was convened 17 January for the Shenzhen Agricultural Research Center. It was decided at the conference that RMB 6 million yuan will be invested in the first phase of construction, which will be carried out and designed by the Construction Company of the Special Economic Zone. The first phase of construction was scheduled to begin in late March and to be completed and commissioned before the Spring Festival next year. [By Li Hang [2621 5300]] [Text] [Guangzhou YANGCHENG WANBAO in Chinese 10 Feb 84 p 2] 12302

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## LABOR AND WAGES

### FLOATING WAGES DISCUSSED, ENDORSED

Beijing JINGJI YU GUANLI YANJIU [ECONOMICS AND MANAGEMENT RESEARCH] in Chinese, No 6, 30 Nov 84 pp 18-20

[Article by Li Shaoyu [2621 1421 1342]: "On Floating Wages"]

[Text] A New Way to Restructure the Wage System

China's current wage system was copied from the Soviet Union in the 1950's. Compounded with the former provision system of the base area, much of it cannot reflect the socialist principle of distribution according to work and to a certain degree it has already hindered the growth of productive forces. Its main drawbacks can be summarized as "rigidity, equalitarianism, complexity and confusion."

"Rigidity" is stifling overcentralization. As socialist economic components and basic units in the national economy, enterprises have no autonomy in wage distribution.

"Equalitarianism" means that the total wages of industrial and communications enterprises are out of line with the performance of production management of enterprises and with the labor skills and contributions of the laborers themselves, making no difference how much one works, how well one performs and whether one works or does not work. Such equalitarian distribution has affected the growth of productive forces, hurt those who are advanced and protected those who lag behind. Rewards and penalties are highly unclear and cannot encourage people to make progress. This is the biggest drawback of the current wage system.

"Complexity" means that the types of wages are overly complex. This has resulted in some areas and even some factories having several hundred types of wage standards. The wage relations of staff workers in different sections are very irrational. For two college graduates in the same unit, one is under the administrative wage standard and the other under the technical wage standard, and their pay differs greatly. Inevitably this affects the work enthusiasm and creativity of some of the staff workers.

"Confusion" means there are too many wage standards, subsidies and types of rewards. When a staff worker collects his money he does not know what it

is for, which makes the wage structure even more irrational. The state has spent a lot of money but it serves no material encouragement to the staff workers.

All this demonstrates the necessity and rationality for restructuring the wage system that has been copied from the Soviet Union and affected by the provision system and for building a socialist wage system with Chinese characteristics. The proposal and experimentation of floating wages have broken through the state of stifling overcentralization, giving enterprises the autonomy of relative independence in regulating wages. It has broken the yoke of equalitarianism, connecting the total wages of enterprises with the performance of management and connecting the material benefits of individual staff workers with the performance in managing enterprises. These two connections closely combine the material benefits of individual staff workers with that of enterprises. In this way, staff workers will be able to care about the production and management of enterprises based on their own vital interests, thereby enabling people to persist on a strong and lasting basis to realize the lofty communist ideal of work enthusiasm. We can further explain this theoretical viewpoint by analyzing the several forms of floating wages.

(1) Total floating. Enterprises link basic wages and bonuses together and allow it to float up and down with the performance in management and control and according to the quantity and quality of the work of laborers. This form of total floating wages eliminates the long-standing abuse of "stifling overcentralization" and enlivens wages, making it possible for the thorough implementation of the Marxist principle of material benefits and the principle of distribution according to work. At the same time it eliminates more thoroughly the damage by equalitarianism, truly rewards those who work hard, punishes those who do not and encourages the enthusiasm and creativity of staff workers. The Marxist principle on production determining distribution and in turn promoting production by a good form of distribution is vividly manifested by this form of total floating wages. According to the figures of 89 industrial enterprises of the system of ownership by the collective in Xicheng Ward in Chengdu, after total floating wages were put into effect the total annual output value in 1982 grew by 14.7 percent over 1981; sales revenue grew by 16.74 percent; profits increased by 36.8 percent; commercial tax grew by 18.7 percent and the income tax handed over to the higher authorities increased by 48.45 percent. (Research Office, Sichuan Provincial CPC, "Survey of floating wages based on after expense profit-sharing as carried out by the Second Bureau of Industry in Chengdu's Xicheng Ward.")

(2) Partial floating. Enterprises tie together a portion of the basic wages (for instance 20 to 30 percent), bonuses set by the state and part of the encouragement fund collected from the enterprise retained profit, as well as the specified overtime pay, which are generally equivalent to about one-third of the income of staff workers, and allow wages to float up and down with the performance of monthly management and the extent of the contribution by staff workers. The Chongqing Public Transportation Corporation and the Chengdu Jinqiang Motor Vehicle Team implemented this type

of partial floating wages. The experiment turned deficits into surpluses and the results were tangible. The masses say: "With this method, those who work hard will have prospects and those who do not will have to make changes."

(3) Self-financed floating and promotions. Enterprises which have good management and control, good economic results, collect a high amount of bonuses from retained profit and are able to self-finance and regulate funds for giving promotions for consecutive years promote staff workers according to the annual ratio of 20 percent and use the system of floating for promotions. The floating is for 3 years and at the end of that period it will become fixed. When the state unifies promotion of staff workers, floating promotion by enterprises can be financed under the state provided basic wages. Judging from over a year's practice in self-financed floating promotion by enterprises, the economic results have been good.

#### Current Conditions for Promoting Floating Wages

Since floating wages is the orientation of reform and the new course of reform, can all enterprises swarm to action? Judging from the experience of the experiment in Sichuan the answer is negative. This is because the implementation of floating wages currently require the following conditions:

First, enterprises must have relatively scientific quotas and a sound evaluation system. In other words, floating wages must be built on the basis of the reorganization of enterprises. As floating wages concern the vital interests of each staff worker of an enterprise, without normal production order, relatively advanced man-hour quotas and a sound evaluation system, the floating wages calculated each month will not be accurate and there will be difficulties in reform. Therefore, those enterprises which want to implement floating wages must reorganize in earnest, strengthen basic management and initiate conditions for implementing floating wages.

Second, the external conditions of enterprise production management are basically normal. In other words, the production of enterprises are unaffected by or are basically unaffected by prices, energy resources and the supply of raw materials. This way, by linking staff workers' wages with the performance in management and control of enterprises can we truly reflect the contribution by the labor of staff workers and the results of management and control of enterprises. If prices, energy resources and the supply of raw materials are not normal which make it impossible for the enterprises to maintain production, conditions for the trial use of floating wages will not be ripe.

Third, enterprises must also have a relatively rational wage system as the basis of trying out floating wages. In order that enterprises have a relatively rational basis of wages, it is best that after reorganization this year we immediately make a certain readjustment to the wages of a portion of the middle-aged engineers and technicians, cadres and staff workers so that there will be a definite change in the irrational basis of wages. This will yield better economic results.

Comparing these conditions with the present state of China's industry and communications enterprises, all the conditions for implementing floating wages are still not ripe. Quite a number of enterprises have not yet reorganized in earnest; some enterprises have not been able to avoid carrying the policy subsidy for deficit because of the problem of prices; and further, some enterprises do not have enough work because of irregular supply of energy and difficult supply of raw materials. Therefore, we can only gradually expand the experiment in some enterprises which have all the conditions, pay attention to arbitrariness and prevent the tendency of rushing headlong into mass action. However, it is also incorrect to suppress the positiveness of implementing floating wages by enterprises on the excuse of inadequate conditions.

Implementation of floating wages do not increase the burden of the state but favor increasing economic benefits of enterprises, improving the life of staff workers and promoting the enhancement of the level of management and control of enterprises. Therefore, popularization of floating wages is inevitable in areas with the conditions.

#### Several Problems Which Deserve Further Study

(1) The problem of state control of total wages after enterprises implement floating wages. Floating wages as practiced by the state toward enterprises and by enterprises toward individuals is a form of distribution according to work which links the total wages of enterprises and staff workers' wages and income and which float up and down according to the performance in economic management and the extent of the fruit of labor. If we insist on not changing the total wages of enterprises for a prolonged period of time it will be very difficult to maintain the situation if there is not ceiling on staff workers' wages. Because from the long-term viewpoint and the viewpoint of development, wages should increase along with the growth of production and national income. We suggest that as enterprises overfulfill their production quotas, labor productivity surpasses the state plan and the profits handed over to the state surpass the state plan by 5 to 10 percent, total wages should be allowed to float upward under planned control. This poses a new problem, namely, how can the state control the growth of total wages. Our tentative idea is that if the profits handed over to the state by enterprises overfulfill by 10 percent and labor productivity by more than 5 percent, total wages can be allowed to float upward by 10 to 15 percent. If the profits handed over to the state by enterprises overfulfill by 20 percent and labor productivity by more than 10 percent, total wages can be allowed to float upward by 15 to 20 percent. If the upward float of total wages breaks through the 20 percent limit, the state can levy an income tax of enterprise wages and the tax rate can be appropriately increased. For example, if 20 percent is exceeded, there will be 100 percent tax if total wages increase by 1 percent and 200 percent tax if total wages increase by 2 percent. In other words, if total wages increase by 100 yuan there will be a tax of 100 yuan to the state and if total wages increase by 200 yuan there will be a tax of 200 yuan to the state. In order to control arbitrary increase in total wages the tax rate can be increased. We can even implement Hungary's wage income progressive tax.

This way, the state can enliven wages and can control the growth of total wages of enterprises.

(2) The problem of choosing the form of floating wages for enterprises. When an enterprise chooses the form of floating wages, everything must be proceeded from reality and should never be copied indiscriminately. Among industrial and communications enterprises, state-operated enterprises and collective enterprises should be distinguished. The differential earnings of enterprises under the system of ownership by the collective belong to the enterprises. Staff workers' income of enterprises under the system of ownership by the collective all float up and down according to the performance of management and control of the enterprises. In actuality it is the development and perfection of floating wages and bonus sharing carried out in the 1950's. The means of production in enterprises under the system of ownership by the whole people belong to the state which represents the whole people. Generally speaking, when the degree of socialization is relatively high and mutual ties are close, the earnings of enterprises are affected by their own management and control but also by the prices, the extent of resources, the technical level of equipment, the supply of raw materials, the state of energy supply and other objective factors. The differential earnings of enterprises should belong to the society. Therefore, when large and medium sized state-operated enterprises carry out total floating wages, they should be cautious and it is best for them to implement partial floating wages or floating promotions and for the state to total wages to float along with the growth of labor productivity and profits. As for those small-sized enterprises under the system of ownership by the whole people, keeping the basic wages with bonuses, overtime pay and wage fund from profit-sharing and allow them to float is no other than carrying out collective management under state ownership. They may be better suited to use the form of total floating wages.

(3) The problem of relationship between floating wages and prices. The problems that must be resolved by floating wages are the relationships of distribution among state, enterprises and staff workers. The state controls the floating of total wages according to the performance of the management of enterprises, while enterprises determine staff workers' wages according to the fruit of their own management and the degrees of contribution made by staff workers. However, they are unrelated to price changes. As economic reform intensifies, readjustment and restructuring of prices are inevitable. In particular, in the future we must gradually reduce industrial and agricultural price scissors and the prices of industrial consumer goods which use agricultural by-products as raw materials will be gradually and steadily readjusted. Price readjustment of this portion of consumer goods is bound to affect the livelihood of staff workers. This will be a severe blow to the implementation of floating wages. To avoid this, we believe that the staff workers of those enterprises which practice floating wages may use subsidy for length of service to prevent the effect of rising price index on their livelihood. Subsidy of length of service is based on the number of years and the amount of subsidy in a year can be calculated by the index of price increase. In short, the index of subsidy for length of service

must be equivalent to or slightly higher than the index of price increase. Judging from the current trend of development of China's economy, drastic increase in prices is unlikely but there will be some increase. Therefore, by slightly increasing the annual income of a staff worker with each additional year of service, it is possible to entirely offset the effect of the price factor on staff workers' livelihood.

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